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A Strategy-Based Framework for Accommodating Reductions in the Defense Budget

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Preface

This paper suggests an approach for how the Department of Defense (DoD) might execute deep reductions in the defense budget, deep enough that stated defense strategy could not be fully resourced. The cuts examined go *beyond* the \$487 billion announced in January 2012 by Secretary of Defense Leon Panetta. The authors do not argue for or against further reductions. They posit that the ongoing pressure to reduce the federal budget deficit may mandate further reductions in the DoD budget. In this context, they suggest starting from a strategic basis in determining the reductions, prioritizing challenges, and identifying where to accept more risk in the process. The paper demonstrates this method with three illustrative strategic directions that might guide the department in choosing which forces and programs to reduce or to protect while making explicit the risks involved. It builds on the strategic guidance of January 2012, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*.¹ It is intended to inform the debate that will likely take place over the coming months, and years, on how to cope with pressure to reduce the defense budget further while limiting risk to U.S. national security.

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¹ U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, Defense Strategic Guidance, January 2012b.

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Summary

The Landscape

In January 2012, Secretary of Defense Leon Panetta issued a new strategic guidance.² It captures the results of a strategy review to accommodate \$487 billion in reductions that the Office of Management and Budget (OMB) had directed the Department of Defense (DoD) to make over the next decade. The current report addresses the question of how the department could accommodate *deeper* cuts if it should be directed to do so. The June 2011 Budget Control Act calls for sequestration of \$1.2 trillion from the discretionary accounts of the federal budget beginning in January 2013 if Congress does not agree on a plan to do so through the legislative process. As of this writing, Congress and the Obama administration are working on a plan to avoid, or delay, sequestration but no agreement has been reached. This could lead to a mandate for further cuts of some \$500 billion from the DoD budget.

The authors are not advocating further reductions. Rather, this report begins with the premise that DoD may well be directed to find reductions beyond the \$487 billion it is already programming. While these additional cuts may not add up to the full amount implied by sequestration, they could amount to several hundred billion dollars more. In that case, it will no longer be affordable for U.S. forces to maintain the suite of capabilities needed to support the strategy outlined by Secretary of Defense Panetta in the new strategic guidance. Even this new strategy will be difficult to execute as planned if further reductions to the DoD budget are mandated, even short of full sequestration. Thus, we postulate that there are considerable advantages to DoD's establishing a strategic direction in which to accommodate further sizable reductions.

Establishing a strategic direction limits the risk the cuts may impose or, at the very least, makes that risk explicit to the nation's leaders. By definition, it requires prioritization of defense challenges and of what risks to accept, with force structure and program decisions following.

In this paper, the authors offer three strategic directions that span a range of frameworks for accommodating reductions in the defense budget. The aim is to illuminate alternative paths to sizable defense reductions beyond the \$487 billion already offered and a method of making further strategy-based budget reductions. A target of roughly \$300-500 billion in savings is explored within each, beyond the \$487 billion already sought by the administration. At the upper end, this reaches the level of cuts implied by the sequestration mandate contained in the

² U.S. Department of Defense, 2012b.

Federal Budget Act of fiscal year (FY) 2011. Force reductions and other programmatic reductions are identified in a rough form to give the reader a good sense of what it would take to achieve the reductions. The numbers are not meant to be prescriptive, but descriptive. We also make explicit the risks that would be incurred by following one or another of the alternative strategic directions in order to further illuminate the dialogue that can and should take place.

The three strategic directions are outlined in brief below. They each take as their foundation the strategy outlined by Secretary of Defense Panetta in his January 2012 strategic guidance. Key highlights of the strategic guidance are:

- Rebalance force structure and investments toward the Asia-Pacific and Middle East regions while sustaining key alliances and partnerships in other regions
- Plan and size forces to be able to defeat a major adversary in one theater while denying aggression elsewhere or imposing unacceptable costs
- Protect key investments in the technologically advanced capabilities most needed for the future, including countering antiaccess threats
- No longer size active forces to conduct large and protracted stability operations; retain the expertise of a decade of war
- To the extent possible, structure major adjustments in a way that best allows for their reversal or for regeneration of capabilities in the future if circumstances change.

Each alternative below emphasizes different aspects of the strategy and prioritizes risks differently. They form the basis for additional reductions in forces and associated programs and the attendant risks incurred *beyond* those already implied by the 2012 strategic guidance. These alternatives are not mutually exclusive and combinations of features of each are possible. Such combinations could provide a measure of hedging against the possibility of unanticipated changes in the security environment.

Alternative Strategic Direction I: Prepare for Persistent Conflict

This strategic direction assumes that violent extremism and related insurgencies will outlast efforts in Iraq and Afghanistan and remain a serious threat to the United States and its interests—first and foremost, the protection of its citizenry. Therefore, readiness to respond to that threat must remain a top U.S. defense priority, even though active-duty U.S. land forces will no longer be sized to conduct large and protracted stability operations. The ground forces are not scaled back any further than the reductions outlined in January 2012 by Secretary Panetta in the strategic guidance.

The principal risks of this strategic direction are that U.S. local partners will remain dependent on us to provide for their security, and technologies critical for future defense challenges will receive inadequate investment. Furthermore, the intent of the strategic guidance to strengthen forces earmarked for the Asia-Pacific region could not be implemented.

Alternative Strategic Direction II: Cede More Responsibility to Allies and Partners

The United States would cede more responsibility to allies to take the lead in defense of shared interests in their regions, particularly when allies' specific regional interests are greater than those of the United States. This would include ceding to NATO allies the lead responsibility for security on the Mediterranean littoral, in counterpiracy operations in the Red Sea and Gulf of Aden, and for providing the bulk of ground and tactical air forces to deter Russia from coercion

or invasion of NATO countries in Central Europe. While the United States would continue to be the key counterweight to China, our capable Asian allies would be urged to strengthen their efforts to defend themselves and the critical sea lanes in their region. This could allow the United States to scale back further on forces earmarked for Europe and surrounding waters, and to leverage allied potential in Asia. In parallel, the United States would redouble its efforts to build up the capacity of local forces in countries that are at risk of insurgency or aggression. The aim would be to reduce the likelihood that U.S. forces would have to deploy in large numbers to counter an insurgency and establish stability. In both cases, the United States would still be a strong partner that provides high-end enabling capabilities, to include intelligence, surveillance, reconnaissance (ISR) and long-range precision strike.

The risk for the United States in this strategic direction is that the allies would not pick up leadership in defense of common interests, leaving those interests more exposed. There is also the risk that building the capacity of partner security forces will not succeed due to ineffective or illegitimate governments. In the latter case, the United States might need once more to intervene to stabilize a critical situation, but with reduced ground forces it would have less capacity to do so.

Alternative Strategic Direction III: Shift Geostrategic Focus to the Western Pacific

This strategic direction reflects an assessment of the emerging national security environment that is largely in line with the strategic guidance. It posits that the center of gravity of challenges the United States faces is shifting, and will continue to shift, toward the Western Pacific—i.e., relatively speaking, from the U.S. Central Command area of responsibility (CENTCOM AOR) and European Command (EUCOM) AOR to the Pacific Command (PACOM) AOR. Accordingly, this calls for a focus on the Asia-Pacific region while accepting even deeper cuts in forces focused on the EUCOM and CENTCOM regions than called for in the 2012 strategic guidance.

The principal risk of this strategic direction is that if the extremist threat to U.S. interests in the CENTCOM region does not recede, then the United States would need to regenerate a capability to respond. There is also a risk that the United States focusing its military on the Western Pacific might cause China to intensify its own military modernization efforts.

A Shift from Invade and Occupy to Punish and Contain

Alternative Strategic Directions II and III include a common theme: that the goal of a major war will focus primarily on defeating aggression against an ally or partner and inflicting severe damage on the aggressor's ability to project military power. Post-major conflict operations would include minimal stabilization operations but not an extended sizable presence of U.S. occupation forces in any region. This change in war aims is largely confluent with the direction stated in the 2012 strategic guidance.

Savings in Health, Retirement, and Compensation Costs

Even cutting force structure, in some cases deeply, may not suffice. DoD could face the difficult choice of further cuts in forces or seeking economies in the cost of troops. As the tenor

of debate in Congress shifts toward spending reductions, constraining the cost of personnel is becoming a more pressing option. Accordingly, proposals to rein in growth in costs of health care, retirement, and compensation have been described. We outline broad approximations of these potential savings that are plausible, both fiscally and politically—again, in a descriptive and illustrative form, rather than a prescriptive and definitive one. The savings estimates are drawn from U.S. government analyses, including the Congressional Budget Office (CBO) and DoD-sponsored study commissions.

Avoiding a Hollow Force

The posited decreases reduce force structure and procurement in a roughly balanced proportion. The result avoids a hollowing-out of the force. The proposed forces are smaller and cannot do all that the current force can do, but they avoid a force structure that is underequipped, inadequately trained and supported, and cannot face future challenges.

Any reduction of the magnitude being examined will carry risk. The advantage of beginning with a strategic direction in which to identify reductions is that choices can be made that mitigate risk in one area by accepting some risk in another, less critical area. Moreover, by tying choices about reductions to a strategic direction, the risks incurred are made explicit both for policymakers, so they can adjust their decisions accordingly, and to the body politic, to create realistic national expectations.

Conclusion

Under the threat of sequestration, cuts to the defense budget could be mandated that well exceed the \$487 billion in reductions over the next decade that DoD has already identified. If so, the department should modify defense strategy to fit the new resource constraints and prepare its course of action sooner rather than later. Cuts should be based on explicit strategic choices that appropriately prioritize missions and security challenges and identify what risks to take. The range of strategic directions proposed here span options that illustrate this method of accommodating a lower budget. The authors go on to describe the types of changes that would be needed to achieve budget reductions of the magnitudes predicted.

Acknowledgments

The authors would like to express their appreciation to their colleagues at RAND whose extensive body of research on how to link strategy to resources was drawn upon heavily in crafting the options described in this paper.

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Abbreviations

AOR	Area of Responsibility
BA	Budget Authority
BCT	Brigade Combat Team
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance, Reconnaissance
CBO	Congressional Budget Office
CENTCOM	United States Central Command
CG	Guided Missile Cruisers
CoCom	Combatant Command
COIN	Counterinsurgency
CSG	Carrier Strike Group
DoD	Department of Defense
ECI	Employment Cost Index
EUCOM	United States European Command
FR	France
FY	Fiscal Year
GDP	Gross Domestic Product
GE	Germany
GWOT	Global War on Terrorism
IED	Improvised Explosive Device
ISR	Intelligence, Surveillance, Reconnaissance
IT	Italy
JP	Japan
KIA	Killed in Action

LSD	Dock Landing Ships
MoD	Ministry of Defense
MTW	Major Theater War
NATO	North Atlantic Treaty Organization
NE	Netherlands
O&S	Operations and Support
OCO	Overseas Contingency Operations
OMB	White House Office of Management and Budget
PACOM	United States Pacific Command
PLA	People's Liberation Army (China)
RDT&E	Research, Development, Test, and Evaluation
SK	South Korea
SP	Spain
SSBN	Ballistic Missile Submarine
TAA	Train, Advise, and Assist
TFW	Tactical Fighter Wing
UAV	Unmanned Aerial Vehicle
UK	United Kingdom
VA	Veterans Affairs
WIA	Wounded in Action
WMD	Weapons of Mass Destruction
WWI	World War I
WWII	World War II

Introduction

The purpose of this paper is to describe an approach to achieving deep cuts in the U.S. defense budget, if required. While \$487 billion in cuts are envisioned in conjunction with Secretary Leon Panetta's strategic guidance issued in January 2012, deeper reductions are possible, even likely.¹ Because deeper cuts importantly constrain the set of missions achievable, the authors suggest a strategy-based approach to achieving cuts, illustrating it with different strategic directions that might be taken.

Defense Resources Are Going to Be Constrained

There is broad agreement across the political spectrum that the federal budget deficit has become unsustainable. National leaders have warned that the present scale of debt accumulation will threaten the nation's economic health and, over the longer term, its national security as well. Indeed, as early as June 2010, Adm. Michael Mullen, then chairman of the Joint Chiefs of Staff, declared that, "Our national debt is our biggest national security threat."²

The defense budget made up 54 percent of total discretionary spending in fiscal year (FY) 2011 and 20 percent of federal spending overall.³ Moreover, not only has the defense budget grown in real terms in the past decade, it has grown as a portion of the total national wealth. The share of U.S. gross domestic product (GDP) allocated to the Department of Defense (DoD) is charted in Figure 1.1. It is difficult indeed to envision a substantial reduction in federal spending that treads lightly on the DoD budget, let alone one that puts it off-limits.

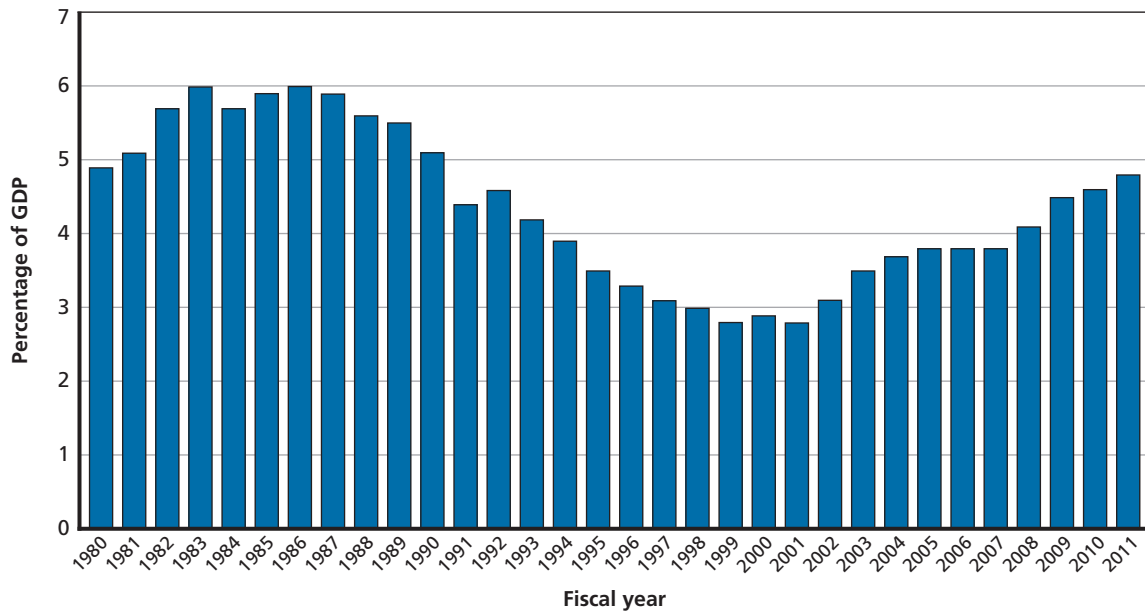
Last year furnished an example of how these general trends might play out in practice. The deficit reduction agreement of August 2011 put in place a mechanism for severe, possibly drastic, measures to reduce the federal budget deficit over the decade of FY 2013 through FY 2022. The agreement involved reductions in both domestic and defense programs. It created a bipartisan, bicameral committee to arrive at proposals to effect deficit reduction amounting to \$1.2 trillion with sequestration of funding to follow if no agreement was reached. The agreement dictates that the sequestration involve equal reductions to national security and domestic programs. The committee, consisting of 12 congressmen and senators, met to identify \$1.2

¹ U.S. Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, Defense Strategic Guidance, January 2012b.

² Laura Bassett, "Adm. Mike Mullen: 'National Debt Is Our Biggest Security Threat,'" *Huffington Post*, June 24, 2010.

³ White House Office of Management and Budget, "Table 5.5—Percentage Distribution of Discretionary Budget Authority by Agency: 1976–2017," *Historical Tables*, Washington, D.C., 2011.

Figure 1.1
U.S. Defense Spending as a Percentage of GDP, FY 1980–2011



SOURCE: Office of the Undersecretary of Defense (Comptroller), "Table 7-7: Defense Shares of Economic and Budgetary Aggregates," *National Defense Budget Estimates for FY2012*, March 2011.

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trillion in reductions to the federal budget deficit through a combination of revenue increases and spending reductions through the decade. They were unable to come to agreement and left the table empty-handed. Then, the Office of Management and Budget (OMB) directed DoD to identify \$487 billion in savings from FY13–FY23, about one-half the amount the Defense department would need to take in reductions at the full sequestration levels. DoD has identified the \$487 billion in savings for FY13 through FY23, accompanied by the 2012 strategic guidance. This probably represents the *best* fiscal case for the department. While full sequestration may not occur, continued pressure on the federal budget can be expected. The extent of this pressure on the DoD budget could depend on the outcome of the fall 2012 elections. In any event, the DoD could well be directed to reduce spending by another several hundred billion dollars over FY14–23.

Deep Cuts Motivate New Strategic Directions

If large budget reductions are mandated, how they are taken should be informed by strategic choices. Going to a lower budget will entail choices among strategic priorities and among which risks to accept. A method for making these choices is to consider different strategic directions and compare the risks associated with them.

This approach is offered as an alternative to the way that cuts in a department's budget might be achieved without a clear strategic direction. If reductions must be assembled under the pressure of a deadline and lacking a clear strategic guiding framework, the department would find itself ill prepared to weigh the implications of alternative courses of action. The

resultant cuts, made under time pressure, are virtually certain to be suboptimal. The cuts would be dominated by what is relatively straightforward to trim—or, if there is an imperative to demonstrate quick results, what could be trimmed to achieve visible near-term savings. Reductions developed in this manner invariably lead to imbalances in the total force and more often than not, lock inefficiencies into future years' programs and budgets.

Here, we postulate three clearly stated strategic directions the department could consider instead, given that up to \$300–500 billion in total reductions may need to be taken over the coming decade, beyond the \$487 billion in cuts already identified by the administration. These further cuts come from the base defense budget; Overseas Contingency Operation (OCO) spending is assumed to have been reduced sharply.

Each strategic direction and the underlying assumptions would be appropriate for our national leadership to consider now that U.S. forces have withdrawn from Iraq and are on track to leave Afghanistan as well. The premise is that reductions in budget authority can be accommodated with less risk and uncertainty if they are made with a clear strategic direction in mind. As DoD reviews its plans and programs in seeking further savings, it can identify those that can be reduced or eliminated while deliberately choosing which risks it is willing to accept. The process would include examining longstanding tasks expected of the military forces and identifying those that, while desirable, may simply no longer be affordable.

A change in strategic direction is sure to lead to greater reductions in one or more services and less in others. Service leaders and their supporters in the Pentagon, among the Combatant Commands (CoComs), and in Congress can be expected to advance arguments why reductions in their budget and, ultimately, in their force structure will expose the nation to unacceptable risk. For this reason, a clearly articulated strategic underpinning for the proposed reductions is critical.

The strategic directions examined in this paper are based on three different themes that illustrate how the reductions could be sized. The options are not mutually exclusive. Elements can be drawn from each to construct hybrid alternatives. While these are not meant to exhaust the possibilities that might be considered, they do illustrate the far-reaching changes that will be needed to accommodate a much-reduced budget.

- Draw down aviation and maritime forces to preserve the capacity to engage in high-end land warfare or, if required, carry out a robust land-based stabilization operation, though not of the scale and duration of recent operations in Iraq and Afghanistan.
- Identify major allies that maintain capable forces, or have the means to do so, and cede lead responsibility to them for meeting security challenges critical to their interests and within their regions. In parallel, increase U.S. efforts to improve the security forces and governance of states faced with extremist insurgencies and other local threats to reduce the likelihood that the United States would be faced with the need to send sizable forces to seize control of and stabilize a country.
- Keep the primary geostrategic focus of U.S. defense planning on the Western Pacific theater—as stated in the 2012 strategic guidance—to deter China's use of military power and thereby to preserve regional stability.

None of these Alternative Strategic Directions fundamentally questions the nature or the severity of the threats facing the United States. All three Alternative Strategic Directions must be able to respond somehow to extremist violence and instability in the Middle East and

South Asia, dangers posed by nuclear Iran and nuclear North Korea, the challenge of China's growing military capacity, and NATO common-defense obligations, as well as other treaty obligations. But their effectiveness at meeting one threat versus another will vary across the three.

Limitations of This Assessment

It is important to understand what this paper is not. First, it is not a critique of prevailing U.S. defense strategy in the environment for which it was intended. For example, the strategic guidance was intended to be responsive to a requirement for some half of a trillion dollars in cuts, in addition to perceived changes in the security environment. We are concerned with the possible need to cut spending by another several hundred billion dollars beyond that. Just as \$487 billion in cuts required changes to strategy (two simultaneous major theater wars can no longer be fully supported in the same way as previously envisioned), further cuts will require further strategy changes.

The proposition of this paper is neither that budget reductions to the defense top line are good or bad, nor that DoD should or should not be a part of any deficit reduction. Instead, we take the prospect of further cuts as a strong possibility and ask how the department could prepare if required.

This is an exploratory analysis to illustrate an approach to taking cuts and to provide some possible directions to solve what could be an emerging budgetary crisis. The department would need to execute full mission, force structure, and budgetary analyses to provide a definitive program of reductions. That is beyond the scope of this paper. We do not propagate the broad reductions we propose at the service level down through the various budget categories potentially affected. We produce, instead, some broad estimates based upon published material of U.S. government defense analysts to inform the topics to be considered in a comprehensive DoD in-house review.

Organization of This Paper

Chapter Two describes in some detail the Alternative Strategic Directions that were developed in this paper. The description takes the Secretary of Defense's strategic guidance as its starting point. It includes how each responds to emerging forces in the national security environment.

Chapter Three presents examples of reductions in force structure and other defense programs that could be taken consistent with each Alternative Strategic Direction. The savings generated from these adjustments are estimated and illustrative. The estimates are drawn from analyses done by the DoD, the Congressional Budget Office, the Congressional Research Service, or other U.S. government offices charged with providing analysis of budgetary implications of program changes. The estimates by different analysts differ slightly for different program changes, and therefore the reductions shown span a range, although the ranges are relatively narrow. This chapter also reviews opportunities for savings through adjustments to pay, benefits, and retirement. These opportunities are largely independent of the strategic direction chosen but cannot be ignored if additional savings of the magnitude of \$300–500 billion over the next decade are to be achieved.

Chapter Four presents a review of the strengths and risks of each of the Alternative Strategic Directions. This includes making explicit those missions that the military would no longer be able to carry out with confidence.

Finally, the focus of this paper is to illuminate the application of a method based on Alternative Strategic Directions that the DoD leadership might adopt. The program reductions and the associated cost estimates are presented as an illustration of the wide range of strategic trade-offs that could be considered and of the order of magnitude of savings that could be captured by adopting one or another of the Alternative Strategic Directions.

Alternative Directions for U.S. Defense Strategy

The Need to Rethink U.S. Defense Strategic Direction

U.S. defense strategy over the past decade has been largely an accumulation of initiatives and adjustments since 9/11—and largely because of 9/11—superimposed on a pre-existing requirement to be able to wage two more-or-less simultaneous major theater wars. Its premise was that the United States must take direct action, unilaterally if necessary, to protect itself and its interests from violent extremism in and from the Middle East and South Asia, while not neglecting potential threats in those and other regions. Its thrust, consistent with the premise, was that the United States is required to insert large forces for prolonged periods to stabilize and secure countries in danger and to battle extremist insurgencies. Predictably, this led to an increase in American defense spending approaching 5 percent of GDP, a burden that a citizenry concerned for its safety has so far been willing to bear.

The strategy that evolved over the decade following 9/11 began with the “Global War on Terrorism” (GWOT), moving into the “Long War,” and then to Counterinsurgency (COIN). Initially, it supplied justifications for military interventions to topple two governments (one of which harbored the perpetrators of 9/11). There ensued in both cases prolonged stabilization operations and state-building in the face of violent opposition. What changed over the intervening 10 years is the scope of the operations: from targeting terrorists and regimes that support them to an all-of-government—if still military-dominant—assault on the security, political, and economic conditions that spawn and sustain terrorism. In parallel, U.S. military missions expanded to include large stabilization operations, most forms of irregular warfare, and local capacity-building. Thus, U.S. strategy became more ambitious since 2001, not less.

In the meantime, the U.S. defense program also reflected the possibility of war with dangerous states (namely Iran and North Korea), concern with the growth of Chinese military power in East Asia, and a long-term obligation to help defend allies with whom we have binding treaty obligations. These presented, in different ways, growing military demands on the United States despite its preoccupation with violent extremism.

Thus, growth in U.S. defense spending in the past decade was the result of the chosen response to the dangers exposed then, yet without relief from the requirements of major war. While the funding for all services grew steadily, funding for ground forces and operations rose sharply, which is consistent with the need to respond with force to violent extremism and establish a strong presence in the territories it seeks to destabilize.

However, under pressure of a federal budget deficit that is broadly regarded as unsustainable, the DoD faces a future of constrained resources. In response to a mandate from the OMB to reduce the defense budget, Secretary of Defense Panetta issued a new strategic

guidance. This laid the groundwork for \$487 billion in cuts to planned spending by DoD over the coming decade. The guidance highlights 10 primary missions for which the military “will need to recalibrate its capabilities and make selective additional investments to succeed”:

- Counter terrorism and irregular warfare
- Deter and defeat aggression
- Project power despite anti-access/area denial challenges
- Counter weapons of mass destruction
- Operate effectively in cyberspace and space
- Maintain a safe, secure, and effective nuclear deterrent
- Defend the homeland and provide support to civil authorities
- Provide a stabilizing presence
- Conduct stability and counterinsurgency operations
- Conduct humanitarian, disaster relief, and other operations.¹

Within these primary missions are two key changes from the current strategy. First, although the United States will be ready to conduct limited counterinsurgency and other stabilization operations, the strategic guidance states that U.S. forces will no longer be sized to conduct large-scale, prolonged stability operations. Second, the war aims of executing major theater wars have been refined. In place of plans to win two near-simultaneous major theater wars, U.S. forces will be sized to “deny an aggressor the prospect of achieving his objectives and [...] to impose unacceptable costs on the aggressor.”² Even when engaged in a large-scale operation in one region, U.S. forces are to maintain the capability of “denying the objectives of—or imposing unacceptable costs on—an opportunistic aggressor in a second region.”³

The major program decisions to translate the strategic guidance into budget savings are outlined in an accompanying document issued concurrently. This includes five major tenets to implement the guidance:⁴

1. Rebalance force structure and investments toward the Asia-Pacific and Middle East regions while sustaining key alliances and partnerships in other regions.
2. Plan and size forces to be able to defeat a major adversary in one theater while denying aggression elsewhere or imposing unacceptable costs
3. Protect key investments in the technologically advanced capabilities most needed for the future, including countering antiaccess threats
4. No longer size active forces to conduct large and protracted stability operations while retaining the expertise of a decade of war
5. To the extent possible, structure major adjustments in a way that best allows for their reversal or for regeneration of capabilities in the future if circumstances change.

Based on this new strategic guidance, the department has reduced its planned spending by \$487 billion from FY2013 through FY2022. However, the pressure on the DoD budget is

¹ U.S. Department of Defense, 2012b, pp. 4–6.

² U.S. Department of Defense, 2012b, p. 4.

³ U.S. Department of Defense, 2012b, p. 4.

⁴ U.S. Department of Defense, *Defense Budget Priorities and Choices*, January 2012a, pp. 4–5.

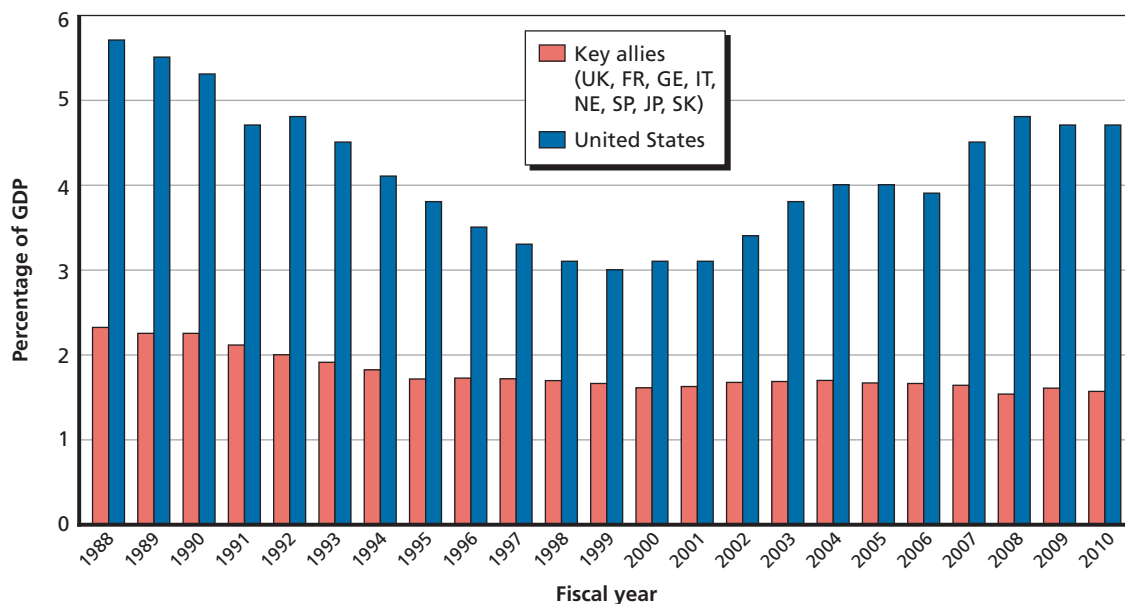
not gone. To prepare for the possibility that further reductions will be mandated on a scale that makes the new strategy unaffordable, three strategic directions that build on the 2012 strategic guidance are described below to illustrate an approach for determining reductions.

Cross-Cutting Issues

A common theme across the Alternative Strategic Directions is that the United States bears a disproportionately large share of the costs of countering threats to interests that other nations share. Figure 2.1 shows the gulf between U.S. defense spending as a percentage of GDP and that of major allies, even though they also, in varying degrees, have major interests in containing violent extremism and instability, countering hostile nuclear states, balancing the growth of Chinese military power, and meeting NATO common-defense requirements. Ten years of fighting experience and heavy defense spending has left the United States not only with unrivaled military forces but also with an economic burden unrivaled by allies that are no less threatened abroad and no more beleaguered economically at home.

Just as the United States can fairly ask its wealthy allies to take more responsibilities and make greater sacrifices for common security, it can ask “front line” states to do likewise. A pattern of corruption, mismanagement, and indifferent security forces among countries aided by the United States will have to be addressed, and all the more so if the United States is going to look to them to take greater responsibility for stability within their own borders.

Figure 2.1
U.S. and Allied Defense Spending as a Percentage of GDP, FY 1988–2010



SOURCE: International Institute for Strategic Studies, *The Military Balance*, Vol. 112, No. 1, 2012, pp. 206–302.

RAND OP379-2.1

Alternative Strategic Direction I: Prepare for Persistent Conflict

This strategic direction begins by assuming that the drawdown in Afghanistan proceeds, with the close of this manpower-intensive operation following on the end of military operations in Iraq. Beyond that, however, it posits that trouble and instability (particularly in the Middle East and South Asia region) are by no means behind us, and that we will continue to have strong interests in the region, which is still the largest source of the world's proven energy reserves. The global economy, including that of the United States, depends on stable, reliable production and transport of oil and gas from the region. A breakdown in security that leads to a hostile shutdown of a significant portion of production or a blockage of transport for an extended period could have a crippling effect on the economies of the United States and its allies. Israel remains surrounded by hostile and volatile neighbors. Iran continues to subvert its neighbors and to pursue nuclear weapons.

Moreover, while some strides have been made in stabilizing both Iraq and Afghanistan, there is no ironclad guarantee that other key states will be safe from violent extremism. The toxic struggles among powerful national and ethnic groups that have been relatively muted over the recent years could emerge again—and with them, a government hostile to U.S. interests, or a very weak central government that at a minimum allows sanctuary for groups plotting serious terrorist attacks on the United States or its allies.

This strategic direction assumes that violent extremism and related insurgencies will outlast Iraq and Afghanistan and remain the main threat to the United States and its interests; therefore, the U.S. response to that threat must in some form remain a top defense priority. The strategic direction further holds that the United States must remain capable of committing large U.S. ground forces abroad again if need be, to stabilize countries, counter insurgencies, and defend allies. Significantly, it does *not* accept that reforming, strengthening, and enabling indigenous security forces and the states they serve can adequately address persistent dangers in the Middle East and South Asia.

Related to this view that irregular threats remain strong and primary is the supposition that the probability of high-intensity state-to-state wars—the sort that demand high-technology joint forces—is declining. After all, the theory goes, what state would dare test U.S. military superiority? In short, this strategic direction is consistent with the view that irregular conflict is of more concern than regular conflict, that overrunning hostile adversaries is easier than ensuring the viability of friendly successor governments, that the challenges of the post-9/11 decade remain.

Finally there is the continuing wave of revolution in the Arab world. An optimistic view is that the “Arab Spring” uprisings, especially those in Tunisia, Egypt, Libya, and Syria have led, or will lead, to the overthrow of repressive dictators or ruling cabals. This could clear the way for regimes that, if not fully democratic, are more responsive to the welfare of the population. This, in turn, should undercut the allure of violent extremism. A darker interpretation is that while the old regimes were indeed repressive and ridden with corruption, they enforced a measure of stability at home and of predictability in their immediate neighborhood. It is not yet clear whether the emerging governments will be seen by their populations as legitimate or will disrupt the fragile security equilibrium in the region with, in the worst case, an upswing of violent extremism. In view of these uncertainties, this strategic direction considers it prudent to maintain ground forces adequate to seize and hold sizable territory long enough to stabilize it. In the decade before the terrorist attacks of 9/11, the United States led substantial

stabilization operations in Somalia, Haiti, Bosnia, and Kosovo. This imperative is *not* limited to the Arab world. Were North Korea to implode under stresses to its new leadership, the United States might elect to participate in occupying and stabilizing the country, to include preventing the theft of nuclear weapons or materiel. An analogous crisis could arise in Pakistan where, again, the risk of nuclear weapons getting into the wrong hands could lead to the need to occupy at least a part of the country.

Obviously, any decision to seize and control territory in Pakistan, North Korea, an embattled Arab democracy, or a state falling under extremism would have to take into consideration the full costs and risks to U.S. forces and interests.⁵ This strategic direction requires only that the United States preserve these options by maintaining the capability to carry them out if ordered. Further, it holds that such contingencies are sufficiently likely, important, and sudden that mobilization is not an adequate substitute for active forces to provide such a capability in the near term.

In order to reduce defense spending further while maintaining active forces to meet the threat of violent extremism and instability in the Middle East and South Asia both directly and militarily, the United States would be pressed to reduce its capabilities for joint expeditionary and strike warfare. Ground forces would be maintained at the levels indicated in the 2012 strategic guidance. The Navy would be reduced; air-to-air capabilities would be reduced as well. Geographically, forces in and for the Western Pacific would have to be maintained at current levels in order to permit deep reductions in defense spending.

Such a strategic direction would rest on three assumptions. First, it has become unlikely that China (the only potential enemy with sizable high-end capabilities) will risk outright war with the United States, so the planned build-up of capabilities for such high-end contingencies can be put on hold, pending strategic warning of a renewed need for them. Further, China's use of its growing military power will be constrained by the resistance of neighboring states and its need for a stable and peaceful environment for continued economic growth. Finally, China and the United States are not only interdependent fiscally and economically; they both share a desire for a predictable, peaceful, and stable security environment, which should put a limit on Chinese aggressiveness.

Alternative Strategic Direction II: Cede Responsibility to Allies and Partners

The next Alternative Strategic Direction is based on the premise that the United States should cede more responsibility to other countries to take the lead in defense of shared interests. This strategic direction has two parts. First, it includes ceding more responsibility for the defense of common interests to leading U.S. allies that have sizable and capable militaries, or that have

⁵ The resources required could be tremendously high. For example, leaving aside the cost in money and lives, it is estimated that between 260,000 and 400,000 ground force personnel would be needed to stabilize North Korea (Bruce W. Bennett and Jennifer Lind, "The Collapse of North Korea: Military Missions and Requirements", *International Security*, Vol. 36 No. 2, Fall 2011). Some number of these forces would certainly be provided by South Korea, but the upper bound of that estimate—400,000—is still more than twice the peak number of troops deployed at one time to Afghanistan and Iraq. Pakistan, with a much larger population and less assured allied assistance, would be even more demanding. RAND research suggests that successful nation-building requires 20 troops per thousand population (James T. Quinlivan, "Burden of Victory: The Painful Arithmetic of Stability Operations," *RAND Review*, Santa Monica, Calif.: RAND Corporation, Summer 2003).

the wherewithal to build and maintain such forces, including the large NATO countries and key Asian allies. The second element is an expanded program to improve the capacity of partner forces that are “front line” states in resisting the spread of violent extremism. This includes working with partner states to enhance their ability to organize, train, and equip their security forces to a level where they can maintain stability within their borders and provide defense against external invasion by themselves or with limited (typically enabling) support from U.S. and allied forces.

Capable Allies

This strategic direction does not require that the major U.S. allies become more concerned about external threats, or more security-conscious than they are. Recent allied statements about international security threats are generally in line with U.S. assessments. It does require that these allies grasp that the United States, driven by reduced resources, will be looking to them to take lead responsibility in key areas in their respective regions. In the case of our NATO allies, the United States would combine bilateral consultations with the presentation of U.S. intentions through the formal NATO force planning process. Lacking a forum in the East Asian region similar to NATO, discussions with key Asian allies of U.S. intentions would primarily require bilateral consultations.

Specifically, from the perspective of the United States:

- NATO allies would take lead responsibility for missions associated with securing alliance interests in the Mediterranean and along its littoral. The United States would provide key force-enablers, most notably command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR), and, in extremis, combat forces in the event of major escalation.
- NATO allies would be expected to provide most of the ground and tactical air power to deter Russia from invading NATO territory. The United States would still maintain modest ground and air forces in-theater, and be prepared to enable allied forces with C4ISR and logistical support, and employ its global-strike capabilities. The fundamental U.S. commitment to the NATO Treaty would remain intact.
- NATO allies would also deploy more naval forces to protect their sea lanes, including counterpiracy operations in the Red Sea and Gulf of Aden.
- Japan would stress maritime forces, including submarines, for improving sea-lane protection and overall maritime security in the Western Pacific.
- South Korea could also put greater stress on protecting its sea lanes as the conventional balance on the peninsula continues to move in its direction. Moreover, it will continue to strengthen its ability to defend itself from attack by North Korea.
- Australia would continue improve its interoperability with U.S. forces and to improve its capabilities to contribute to security of the sea lanes to its north.
- Taiwan, India, the Philippines, Vietnam, and other Southeast Asian nations will continue to improve their capacity for self-defense and, where possible, sea-lane protection.

By ceding these responsibilities to allies, the United States could reduce some ground, tactical air, and surface-naval combatants with limited risk. The United States would retain a preponderance of capabilities unique to its role of enabling and reinforcing allies: long-range strike and C4ISR in particular.

To put this strategic direction in context, the economics of U.S.-allied defense and deficits are jarring. Because most leading allies on average have smaller budget deficits (as a percentage of GDP) than the United States and spend less on defense, their defense spending is a smaller fiscal problem than U.S. defense spending is. To illustrate, if the United States spent on defense what its major allies do as a percentage of GDP, its federal deficit would shrink by close to a third (about \$400 billion). With average West European and Japanese defense spending of less than 1.5 percent of GDP, low allied defense spending is as much a political choice as an economic necessity.⁶

Apart from the yawning disparity in U.S.-allied burden-sharing, the other striking aspect of defense spending by major allies is how insensitive it has been in the past decade to external security conditions. Looking at the defense spending of NATO allies since 2001, there is no hint that al Qaeda demonstrated its ability to strike anywhere in the West (New York, Washington, London, Madrid). In the case of Japanese defense spending since 2001, one would be unable to guess that China was engaged in a steady build-up of regional forces.

This does not mean that major allies perceive no insecurity—after all, our NATO allies spent approximately \$300 billion on defense while key Asian allies—i.e., Japan, South Korea, Australia, and Singapore—spent another \$100 billion.⁷ But it does mean that they have not responded robustly to the menace of al Qaeda and other groups of violent extremists operating from hostile nations or ungoverned territory. As a group, they either have not perceived a greater threat or they have largely relied on the United States to increase defense spending in order to safeguard shared interests when insecurity worsens. Thus, as allies decide what to spend on defense, the willingness of the United States to spend on defense appears to moderate any imperative they might feel to increase their own defense spending. The data suggest that as the United States has responded to threats it perceived from the Taliban-al Qaeda nexus in Afghanistan and from Saddam Hussein's Iraq, the allies either have not felt the same threat to their interests and felt a need to respond by increasing spending on their military forces, or they have looked to the United States to provide a security shelter and therefore a spending "cushion."

Under current security conditions—instability and insurgency in the Middle East and South Asia, Iran's threat to the Persian Gulf, the dangers posed by North Korea, the growth of Chinese military power—America's "Western" allies have more or less as much at stake as the United States. They too face risks to their oil supplies, dangers from violent extremism, upheaval around the Mediterranean littoral, hostile states possessing or developing nuclear weapons and long-range missiles, and a generally unpredictable global security environment. To the extent that the United States and its interests are more exposed than those of these partners, it is largely because the United States has accepted greater responsibilities and forward presence.

All major allies have the potential to do more in three ways. First, they already have modern, capable forces. Indeed, the most capable non-U.S. forces in the world are currently those of U.S. allies (although China is entering the upper tier in certain important categories). Thus, this strategic direction does not include a requirement and corresponding cost of turning incapable forces into capable ones. Second, within their present defense-spending levels,

⁶ The World Bank, "Military Expenditure (% of GDP)," website, 2012.

⁷ NATO, "Financial and Economic Data Relating to NATO Defence," website, 2012; International Institute for Strategic Studies, 2012, p. 4.

the allies could redirect resources toward capabilities that would contribute more to common security—in effect, by “smarter” spending. This would argue primarily for strengthening their capacity to deploy forces, execute precision strike, and achieve greater surveillance and reconnaissance of the battle space. Third, by giving allies lead responsibility for certain missions, they may find that increased spending, or more focused, smarter spending, is needed in order to fulfill the requirements of those missions. Of the ways allies can do more, redirecting existing capabilities is the most realistic and could happen relatively quickly; redirecting resources would take longer, but could contribute more to burden-sharing. Increasing defense spending is the least realistic; indeed, the trends are in the other direction. Even if the will to do so were to emerge, it would take the longest to bear fruit—although it could, over time, contribute the most to burden-sharing and common defense.

The degree to which allies mitigate the risk inherent in reductions in U.S. defense spending will depend on the degree to which they perceive a risk to their own security. To maximize allies’ incentives, the United States could make clear that reduction in its defense spending is not contingent on allies’ willingness to do more, whether by redirecting existing capabilities, reallocating defense spending, or spending more. Once the allies realize they are “in the lead” for providing capabilities to defend their interests, the groundwork is laid for a debate over the risks to their security in cutting their defense forces too deeply.

An economic environment in which most of the major allies are also struggling to reduce budget deficits may seem inauspicious for increased allied responsibility. Moreover, it will be argued that a reduction of U.S. defense spending in the coming years might excuse even greater contraction of allies’ defense spending, on the belief that if the United States is shifting priorities from defense to deficit-reduction, so may they.

But it might also be that the United States is enabling free-ridership in that it is apparent to allies that it will spend what is needed (close to 5 percent of GDP) and do what is needed with or without their help, even if the interests at stake are truly shared. If this seems harsh, we must look again at U.S. and allied spending since 2001. Clearly, if allies had spent more on capabilities and operations during that period, the United States could have spent less, without a loss in shared security. What is less clear, but cannot be excluded, is that the allies would have spent more if the United States had spent less than it did since 2001.

This does not mean the allies are myopic, merely rational. After all, they spend on average less than 1.5 percent of GDP on defense, and in return, they get the current level of security. Moreover, they have learned that U.S. defense spending is insensitive to their own. This suggests that it may be fruitful for the United States to reverse the logic and thus the psychology of allies’ defense efforts in relation to U.S. defense efforts—to appeal not to their sense of fairness, which has not worked, but to their sense of insecurity, which might increase in the wake of a declarative policy of scaling back the missions for which the United States would assume leadership.

While one should not read too much into the Libyan operation, it does appear that NATO allies, led by France and the United Kingdom, *are* prepared to take the lead when their interests are at stake and when the United States says the lead is theirs to take. Similarly, the current tilt in Japan toward focusing more of its investment on protecting its sea lanes is apparently motivated by an assessment that it needs to become more robust to neutralize China’s

growing military power and assertiveness in the region.⁸ While anecdotal, these developments suggest that key allies, with critical enabling support from the United States, are capable of greater effort that could offset reduced U.S. efforts.

As noted, even if the prospect of reductions in U.S. defense spending does not induce allies to spend more on defense, it could yield greater allied contributions either by increased availability of existing forces or by allocating resources at planned spending levels in ways that produce capabilities that are more useful (at least from a U.S. standpoint). For example, although the Alliance has made it a priority to encourage members to make their forces more capable of expeditionary warfare, they lag far behind the United States. If they were to take lead responsibility to provide main combat forces for contingencies on NATO's immediate southern and eastern flanks, allies would have an imperative to approach U.S. standards.

Building the Capacity of Indigenous Partner Forces

The companion piece of this strategic direction is the imperative to build partner forces' capacity to resist insurgency and to provide, where realistic, for defense from external aggression. This effort would focus on "front line" states, those in unstable regions or susceptible to disruption by violent extremists.

Because large and lengthy military stabilization and counterinsurgency operations by U.S. forces are acknowledged to be insufficient, the wars in Iraq and Afghanistan also presented the United States with the challenge of building indigenous capacity to counter insurgencies. This challenge has included not only organizing, training, and equipping local military and police forces, but also more comprehensive measures such as transforming governments, improving public services, and building sustainable, civilian-led institutions in the ministries of defense (MoDs). These wider U.S. efforts are generally seen as having been uneven, initially under-resourced, and frustratingly slow. But both the Defense Department and the State Department have improved their performance and learned important lessons, which inform the specifics of this strategic direction.

For example, where a government is amenable, building local capacity need not and should not wait until a full-blown insurgency erupts, leaving no choice but to try to build such capacity urgently and under hostile conditions, often with bad results. A related lesson incorporated into this strategic direction is that building local capacity should not depend on large-scale U.S. military presence. Such dependence presumes that the United States has intervened militarily to counter a major existing insurgency and thus reduces the chances of *preventing* insurgencies. Indeed, because U.S. military occupation is so costly and potentially counter-productive (especially in Muslim-majority countries), building up local capabilities to prevent and counter insurgencies is placed at the center of U.S. defense strategy, and not relegated to be a concomitant of and prerequisite for ending U.S. occupation.

Much like Alternative Strategic Direction I, this Alternative Strategic Direction assumes that the dangers of extremism in the Middle East and South Asia will persist. Unlike Alternative Strategic Direction I, however, it rests on analysis that reforming, strengthening, and enabling indigenous security forces and states can, to a large degree, substitute for large and lengthy U.S. stabilization and counterinsurgency operations, provided that—and this is critical—such efforts to build local forces be timely, adequately resourced, and well planned

⁸ Martin Fackler, "With Its Eye On China, Japan Builds Military," *The New York Times*, February 28, 2011.

and implemented. Indeed, this Alternative Strategic Direction considers building local forces not only as a substitute for large-scale U.S. military interventions, but also as a better way, generally speaking, to counter extremism in these regions going forward, given unintended negative consequences of U.S. invasion and occupation of predominantly Muslim countries in particular. Accordingly, it prescribes a substantial shift of resources from maintaining large ground forces earmarked for extended stabilization and counterinsurgency operations to enhancing the capability of the U.S. government to strengthen indigenous capabilities to counter extremism.

If thus pursued as a strategic imperative, building local forces has two implications. First, while it will be costly, it will not be nearly as costly as U.S. intervention, stabilization, and direct COIN operations. The United States already has robust partner capacity-building programs in a number of key Middle Eastern countries. By law, most of the cost would be borne by the State Department in security assistance and other foreign-aid accounts.

If the United States has an alternative to large and lengthy direct COIN operations, the same cannot be said for deterring direct attacks on U.S. vital interests by well-armed enemy states. Thus, the other half of this Alternative Strategic Direction requires that the U.S. military be able to do what others cannot even with help, namely:

- Conduct intense expeditionary and strike operations against dangerous state adversaries that threaten key interests or key allies
- Prevail against sophisticated threats to critical global commons, e.g., maritime, space, and cyberspace
- Provide high-leverage enablers to give local forces an edge, or come to their aid if they cannot withstand enemies that also threaten U.S. interests.

This Alternative Strategic Direction implies a priority shift even beyond that included in the 2012 strategic guidance, from large ground forces to maintaining capabilities in which the United States has maintained technological superiority, e.g., survivable maritime and aviation platforms, dominant intelligence, surveillance, and reconnaissance (ISR) provided by satellites and unmanned aerial vehicles (UAVs), precision strike, combined arms fire and maneuver, and long-range strike assets. This strategic direction also implies a renewed commitment to integrated operations, to honing personnel skills for intense joint combat, and to maintaining U.S. advantages in key technologies. Ground forces would be highly mobile and heavy enough to overmatch entrenched enemy forces with supporting airstrikes. The military would continue to seize opportunities to exploit advances in technology, especially information technology, to leverage its firepower.

Given the increased range and lethality of adversaries' anti-naval capabilities, the priority among naval forces would be on a diversity of stealthy strike platforms (especially undersea systems), long-range strike capability, cyberwar capabilities, and C4ISR that is rugged, flexible, and global. Air Force investment and structure would give precedence to stealthy long-range strike, unmanned strike, and ISR systems.

U.S. requirements for military personnel would stress higher skill-sets—more expensive people, but far fewer of them. Thus, the strategic direction would make greater use of core U.S. advantages in both superior technology and superior personnel. In turn, it suggests a need to approach missions with a view toward how highly skilled people can exploit technology, as opposed to taking large end-strength as a given and looking at technology as an enabler.

Alternative Strategic Direction III: Shift Geostrategic Focus to Western Pacific

Unlike the first two Alternative Strategic Directions, the third accepts the strategic guidance's revised assessment of the global security environment—not that it is less demanding overall, but that its demands are changing. Specifically, the guidance views future threats in the Greater Middle East—the U.S. Central Command area of responsibility (CENTCOM AOR)—as still serious, but less so than those in East Asia—the AOR of the U.S. Pacific Command (PACOM). The stabilization of Iraq and, prospectively, of Afghanistan, along with increasingly successful intelligence and counterterror operations (under both Titles 10 and 50), may be reducing the intensity of the threat posed by violent extremism and insurgency to U.S. security.

In East Asia and the Western Pacific, however, the belligerence of a violent, nuclear North Korean state could increase as it goes through leadership succession and faces the possibility of collapse. In addition, although China and the United States are seeking common ground on many international security and economic problems, China's growing military strength and assertiveness could destabilize that vital region. If the 2000s were a decade of preoccupation with challenges in the Middle East and South Asia, the 2010s could be one of concentration on challenges in the Western Pacific.

If the United States assesses East Asian dangers to be growing while those of the Middle East are *not* receding, the nation will be hard-pressed to remain the dominant security provider in both theaters unless it ignores the fiscal consequences of high defense spending. Accordingly, this strategic direction assumes that threats from North Africa to South Asia can be managed with a shift in operational focus to security assistance, building partner capacity, and intelligence-intensive counterterrorism operations in place of manpower-intensive COIN and stabilization operations. Such a shift would free the United States to maintain investment in forces that address the growing challenge to stability in the Western Pacific region. Between NATO allies and friendly local states, the United States has better options for reducing forces for CENTCOM's region, where U.S. forces are not entirely welcome, than for PACOM's region, where they are welcome by every state except China.

This Alternative Strategic Direction also addresses a possible flaw in the preceding strategic direction regarding Japan. While unlikely, if the Japanese were to visibly increase military capabilities and activities while the United States did not enhance its strength in East Asia, stability in that region could actually get worse, not better. Regional states do not see Japan as an acceptable substitute for the United States, and China would be able to justify an even more muscular posture if Japan were to increase offensive capabilities (even if intended only to deter China). Conversely, any increase in Japanese capabilities and operations would be more acceptable to other U.S. friends and allies and less destabilizing if linked to a continued strong U.S. posture in and toward the region.

This Alternative Strategic Direction interprets the recent and expanding democratic revolution in the Arab world as promising for U.S. security interests insofar as it demolishes one of the main arguments of violent Salafist extremism, namely, that autocratic regimes are a betrayal of Islam. While only a small percentage of Muslim populations are drawn to violent jihad based on this argument, it feeds resentment and anti-American sentiment among a much larger percentage, which can feed sympathy toward insurgency if not terrorism. The character that the emerging governments might take in Tunisia, Egypt, Libya, and possibly Syria is not yet clear. What is clear is that a number of Arab regimes beyond these four are feeling enough

pressure to entertain serious reform, which may also work to the disadvantage of radicals, improve security, and lessen demands on the U.S. military.⁹

This Alternative Strategic Direction would reduce demands for U.S. ground forces, which are more relevant to CENTCOM than to PACOM missions. In the Western Pacific, planned upgrades in U.S. maritime and air forces would be maintained in the face of growing Chinese capabilities and dangers on the Korean peninsula. This strategic direction would require a shift of investment toward survivable strike capabilities for deterrence: less vulnerable naval platforms, e.g., undersea systems; long-range strike; unmanned attack systems; joint C4ISR; and cyberwarfare capabilities. The depth of cuts in U.S. ground forces and short-range, light-payload, tactical air forces would be determined by how much capability the United States needs as insurance against land warfare.

Wild Cards: India, China, and Russia

All three of these Alternative Strategic Directions invite questions and risks that involve other large military powers, especially two that are rising (China and India), and one that has been fading (Russia). How would the capabilities, policies, and behaviors of these three states affect U.S. defense options? Are they potentially part of the problem or part of the solution?

These questions are most easily answered for India—a democracy with growing economic, technological, and military power; modest global ambitions; and an inclination to use its expanding regional superiority to secure rather than revise the status quo. Indian defense spending has grown from just over \$10 billion in 1990 to nearly \$40 billion now. This increase has been facilitated by the growth of its GDP. Its defense spending as a share of GDP has actually declined from 3 percent to 2.5 percent. Still, this level is still nearly double the average of U.S. NATO allies.

The United States could encourage and rely on India to do more to secure vital trade routes around the Indian Ocean. India could also contribute to the building of stronger states and security forces in countries facing violent extremist and insurgent dangers, at least in those countries where they would be welcome. Finally, growth of Indian military capabilities could require China to divert defense resources away from its Pacific theater. This, of course, carries serious risks. A Sino-Indian conflict could destabilize a good part of the region.

Expansion of India's maritime security role and capabilities would contribute to all of the Alternative Strategic Directions. However, the United States would not want India to become an increased threat, real or perceived, to Pakistan. This would divert Pakistan from what effort it is making—or might consider making—to tackle the militant threat on its border with Afghanistan, destabilize the Subcontinent, and possibly heighten risks of nuclear confrontation between a strong India and weaker Pakistan. Worse tension in South Asia would not ease U.S. defense burdens.

Russia is a military factor only in its “near-abroad”—apart from its nuclear forces, the decline of which it is trying to arrest. Barring both thorough military reform and another decade of high gas and oil prices, Russia cannot contribute appreciably to security—or for

⁹ An even more promising turn of events would be the end of Iran's Islamist-militarist regime, which could alter the security environment in the Greater Middle East substantially, and for the better. However, that looks unlikely at the time of this writing and therefore will not be factored into the analysis of U.S. defense requirements.

that matter, insecurity—in either CENTCOM or PACOM regions, even if it were so inclined. That said, lingering mistrust of Russia could divert some of China’s military focus to the Sino-Russian border at the expense of its investment in power projection capabilities.

Where Russia could make a difference is with respect to lingering European concerns, especially among Central and Eastern European NATO allies. Redoubling U.S. efforts to bring about a closer and more constructive Russia-NATO relationship could, in time, lessen Central and Eastern European fears about Russian revanchism and allow greater NATO-wide focus on out-of-area capabilities, which are of more help in U.S. global defense strategy. This optimism must be tempered by European concerns that as its conventional forces struggle, Moscow is putting greater stock in its nuclear forces. Even if Russia were predisposed to collaborate more with NATO, however, its corruption and undemocratic style of government impose political limits on that cooperation. In the final analysis, Russia is less and less a factor in the choice and pursuit of U.S. defense strategy or in U.S. defense spending.

China is the opposite. Its goals, strategy, and conduct will increasingly constrain U.S. choices and shape U.S. defense requirements. In its 11th annual report to Congress on China, the Department of Defense stated that although China reported an official defense budget of \$95 billion for 2011, a more accurate estimate is somewhat more than \$160 billion per year, more than any country but the United States and well over twice what Japan spends.¹⁰ Although the United States outspends China by a wide margin, the latter concentrates most of its military capabilities and investment on needs in its own region. The preceding discussion of strategic directions assumes that Chinese antiaccess and power-projection capabilities will continue to grow and that those capabilities could disturb stability in the Western Pacific, especially if China brandishes its military power against Taiwan or to settle disputes over territory and maritime rights. Moreover, given its attachments to North Korea, Pakistan, and Iran—and its rivalry with India—China will be predisposed *not* to support U.S. security aims in East Asia or South Asia.

One of the criteria in developing U.S. defense strategy is the possibility of inducing China to align itself more with U.S. purposes—for its own reasons, of course—around the entire Asian periphery, from Korea to Iran. Any U.S. strategic direction that would, by design or in effect, reduce U.S. power in the Western Pacific or weaken U.S. capabilities for military contingencies involving China would be likely to leave the Chinese less inclined to be a U.S. partner. The third Alternative Strategic Direction described above is designed to encourage China to use its growing power judiciously and to be more cooperative.

Shift from Invade and Occupy to Punish and Contain

Whatever strategic direction the United States adopts, its military forces must be able to win the nation’s wars as U.S. interests may demand. Yet, the nature, aims, and thus requirements of major wars are being rethought in light of changing international security conditions and technology. An indication of this is the adjustment of war aims articulated in *Defense Budget Priorities and Choices*.¹¹

¹⁰ U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China*, Washington, D.C., 2011.

¹¹ U.S. Department of Defense, 2012a.

For most of the post–Cold War period, the primary standard for determining the scale of required U.S. forces has been the ability to win a major theater war (MTW) while leaving enough spare capability to win a second such more or less simultaneous one. Winning during the Cold War was defined as successfully defending allied territory in Western Europe or South Korea; not invading, occupying, and altering the regime of the adversary state. Generally speaking, a “major war” can be thought of as a large, multiservice combat operation against sizable and capable regular enemy forces. “Theater” implies both large operational scale and a high probability of such conflict occurring in an overseas region. The American way of winning MTWs has been to maintain superior, large, and highly ready air, ground, and maritime forces; to transport them with reasonable speed over intercontinental distance; to supply and service them fully; and to conduct integrated combat operations under joint command. Being expeditionary, these forces rely on mobility, flexible logistics, and worldwide C4ISR coverage. In general, air and naval strike forces are counted on to suppress enemy defenses while weakening enemy ground forces and their will to resist, so that U.S. ground forces, supported by air forces, can deliver victory. Targeting technology—for surveillance, tracking, and guidance—has led to improved precision and range of such strikes and created opportunities to disrupt enemy ground operations, thereby leveraging the effectiveness of U.S. ground forces. It further lowers collateral damage, thereby lowering the risk in applying substantial air-delivered firepower.

The United States has waged three major wars along these lines in the last 20 years, one to overturn Iraq’s invasion of Kuwait, one to defeat the Afghani Taliban forces, and the last to defeat the Iraqi military forces and take control of Iraq itself.¹² The military objective of the first was to drive Iraqi forces out of Kuwait and inflict severe damage on Iraq’s ability to invade its neighbors; the second and third were fought not only to defeat government forces but also to terminate the existing government. Because U.S. forces decisively defeated enemy regular forces in these wars, states with reason to be concerned about the possibility of conflict with the United States, e.g., Iran and China, have increased their antiaccess and area-denial capabilities to include air defenses, anti-naval capabilities, and surface-to-surface missiles, in order to make U.S. expeditionary war more difficult and costly, thus less likely.

Operationally, the two wars with Iraq, as well as the defeat of the Afghan Taliban regime, showed that improved targeting, strike precision, joint C4ISR, and integration can reduce the scale of ground forces required to win major theater wars against regular military forces of sizable, though not near-peer, countries. This observation does not include ground-force requirements of subsequent occupation, for which such substitution is not feasible.

Greater effectiveness of strikes from the air has been facilitated by dramatic advances in precision strike and by the revolution in information networking. This has enabled joint operations to become more integrated and thus to permit air strikes to support and supplement ground forces in major theater war.

Looking beyond these information-technology trends in the military, the question here is whether the purposes, and thus requirements, for major wars are changing, given changing political, security, and technological conditions around the globe.¹³

¹² For our analytic purposes, U.S. military operations in the former Yugoslavia, as well as in post-invasion Iraq and Afghanistan, are not considered major wars.

¹³ Ensuing stabilization and counterinsurgency operations in Iraq and in Afghanistan have shown there is no alternative to large-scale ground forces for those sorts of operations.

The starting point is to consider what sorts of wars the United States might have to fight and with what war aims. To underscore the need on occasion to rethink the nature of U.S. wars, consider the changes in the 21 years between World War I (WWI) and World War II (WWII), in the next 23 years leading up to Vietnam, or the 22 years before the first Iraq war. It is going on 22 years since Operation Desert Storm; in that time, improvements in military information technology and shifts in international security conditions have been enormous.

Because of global economic integration, the diffusion of destructive capabilities, and the declining advantages and growing burdens and risks of territorial possessions, wars of conquest between major powers are increasingly improbable, even if they cannot be excluded. With the exceptions of limited hostilities over disputed Sino-Russian or Sino-Indian borders, it is hard to imagine any major military power going to war with another major power to seize its territory, much less to conquer it within the time-horizon relevant to planning and maintaining military forces. This general observation applies especially to the United States, which has no interest in taking territory from another nation, and which faces no danger of its homeland being attacked by a conventional military force.

Less implausible is that a capable military power would attempt to seize territory from a lesser one. Because no other military would welcome general war with the United States, U.S. capabilities for such asymmetric wars could be designed to deter aggression by the threat of inflicting severe damage on the would-be aggressor's forces. While failure of such deterrence could result in conflict with a capable military power, it would not imply conquest of either the aggressor or the victim as a U.S. war aim.

The United States cannot predict when or where aggression against an ally or nation of interest could occur. It cannot station forces everywhere, so it must be prepared to wage war anywhere, with limited warning. This tends to place importance on the speed and operational superiority of forces, rather than on forces sized for territorial conquest and occupation.

In addition, the United States may have cause to wage war against lesser but well-armed distant states, perhaps in possession of nuclear weapons. The cause of such conflicts would typically be threats to international peace and to U.S. interests; because these threats generally would be posed by such lesser states, U.S. aims would center on eliminating the *capabilities* that cause such threats, which would not necessarily require invasion and subsequent occupation.

Consider the contingencies of U.S. war with Iran or North Korea: In each case U.S. aims might be to destroy the enemy's weapons of mass destruction (WMD) along with the conventional ability to invade neighboring nations. However, in neither of these cases would the U.S. goal be physical control of the lesser power's territory, population, and state, as it was with Germany's and Japan's in 1945, or Iraq's in 2003. The staggering costs of occupation and the perils of continuing resistance and insurgency argue against assuming responsibility for a defeated country. Indeed, the substantial costs and risks of foreign conquest contradict the idea that U.S. national security requires U.S. *economic* security.

The incidence of interstate wars has dropped greatly since the end of WWII, and even more so after the end of the Cold War. Technological trends also indicate the growing cost and risks of wars of conquest. At the same time, information networking and simple remotely detonated weapons give enemy resistance forces and insurgents significant new ways to evade and to attack occupying forces. As Table 2.1 indicates, Iraq's regular military was defeated by relatively modest-sized U.S. forces in 2003, whereas the vast majority of U.S. military casualties took place in the ensuing years of occupation while battling distributed, networked insurgents armed with improvised explosive devices (IEDs).

Table 2.1
U.S. Casualties in Iraq

Date Range	Total U.S. Deaths	U.S. wounded in action (WIA)
March 19, 2003–April 30, 2003	139	426
May 1, 2003–January 18, 2012	4,269	31,379

SOURCE: U.S. Department of Defense, "Operation Iraqi Freedom – Casualty Summary by Month," Defense Casualty Analysis System (DCAS) website, 2012c.

NOTE: Total Deaths category includes both killed in action (KIA) and non-hostile deaths.

In sum, while the United States does require capabilities to wage major war, two of the above strategies posit that this need not *necessarily* include capabilities to conquer and control the territory of lesser but militarily capable powers, much less that of a major power. While world conditions and U.S. goals might change in ways that could necessitate such capabilities, the long warning time of such a change should give the United States ample time to adapt and mobilize.

To be able to punish and contain threats, the above implies a need for U.S. offensive and defensive capabilities in space and cyberspace, in addition to land, air, and maritime forces. The question of whether the United States might want to initiate or instead only deter and retaliate for attacks on satellites and computer networks goes beyond the scope of this study. But U.S. offensive space and cyberspace capabilities are needed in either case. All-domain U.S. expeditionary-and-strike capabilities would not only be unrivaled but would also present formidable difficulties for any adversary trying to deny access to or defeat U.S. forces. The two factors that would most set U.S. forces apart and shape U.S. plans for fighting major wars is the ability to move powerful forces promptly and to target virtually any detectable significant object.

Ground forces will be essential for destroying forces that escape targeting from the air, and for seizing sites critical to war-making. As a consequence, ground forces must be highly lethal and have information dominance to take on and destroy well-equipped enemy forces. Again, the focus of ground forces is to engage the enemy's forces and destroy them. They need not be large enough for territorial conquest and control, which requires ground forces numerous enough to conquer territory and then disperse to control it.

In addition to the differences in ground forces implied by alternative purposes and conceptions of major war, there could be a shift of U.S. tactical air forces toward more affordable precision strike and low-signature unmanned aerial systems.

While using different language, then-Secretary of Defense Robert Gates offered thoughts similar to these in a 2011 speech, noting that potential, foreseeable major wars in the Greater Middle East or East Asia are likely to depend predominantly on naval and air strike forces.¹⁴ Where ground forces are concerned, he underscored the importance of "swift-moving expeditionary" forces. The Secretary also said that, "Any future defense secretary who advises the president to again send a big American land army into Asia or into the Middle East ... should 'have his head examined,' as General MacArthur so delicately put it."

But it is also possible to imagine other trends, as well as plausible contingencies, that could argue in favor of maintaining such capabilities. Technologically, antiaccess and area-denial

¹⁴ Robert M. Gates, speech, delivered at the United States Military Academy (West Point), N.Y., February 25, 2011.

capabilities could improve and proliferate, rendering attacking aircraft, fleets, and regional air bases vulnerable. While this would increase the value of long-range strike, it might also mean that only ground forces could carry out certain missions, including the destruction of enemy forces and seizure of important sites and critical territory. Hostile states with weapons of mass destruction might have to be invaded and temporarily occupied in order to destroy hidden or buried WMD. (Iran and North Korea come to mind.) Having done so, one must ask whether U.S. policymakers would be willing to then depart, leaving behind a power vacuum with unpredictable results. In addition, there may be large and important states, with or without WMD, that collapse and must be occupied by an international force that includes U.S. forces. Finally, contested territories might have to be placed under international (including U.S.) control to avert war and facilitate settlement.

Thus, the *likelihood* that technology and international security conditions could reduce the need for very large ground forces to fight wars of conquest and occupation must be weighed against the *possibility* that promptly arriving land forces may be inadequate. Just as the heavy costs of maintaining land forces sufficient for conquest and control must be weighed, so must the serious potential consequences of *not* having such forces if they are needed. This, then, becomes an issue of risk assessment and risk mitigation, which will be taken up in the next chapter.

Assessing the Advantages and Risks of Alternative Strategic Directions

Although the purpose of this paper is to illustrate a strategy-driven approach for identifying savings in funding requirements for national defense beyond the \$487 billion identified by DoD in January 2012, Alternative Strategic Directions that might allow such savings cannot be evaluated by that criterion alone. This chapter examines and compares the alternative strategic directions by their advantages and risks, where only one of the considerations is savings, i.e., the defense contribution to fiscal integrity. The chapter concludes with a table that summarizes the risk inherent in following one or another of the strategic directions. The risk is expressed in terms of the challenge the U.S. military would face in fulfilling the 10 priority missions identified in the January 2012 strategic guidance, should it pursue one or another of the strategic directions.

The January 2012 strategic guidance posits the need for the Joint Force to possess the capabilities to succeed in ten primary missions:

- Counter terrorism and irregular warfare
- Deter and defeat aggression
- Project power despite antiaccess/area-denial challenges
- Counter weapons of mass destruction
- Operate effectively in cyberspace and space
- Maintain a safe, secure, and effective nuclear deterrent
- Defend the homeland and provide support to civil authorities
- Provide a stabilizing presence
- Conduct stability and counterinsurgency operations
- Conduct humanitarian, disaster relief, and other operations.¹

Each strategic direction must also be assessed according to its risks. These may include risks that the strategic direction could prove infeasible, that the underlying assumptions of the strategic direction are not borne out, that savings could prove illusory, and that the security environment could change in ways that render the strategic direction unsuitable or inadequate.

Starting with a continuation of the past decade's strategic focus, the sections that follow examine advantages and risks relative to national security objectives and the capabilities required by the new strategic guidance.

¹ U.S. Department of Defense, 2012b, pp. 4–6.

Alternative Strategic Direction I: Prepare for Persistent Conflict

This strategic direction would continue post-9/11 reliance on capabilities for sizable stability operations of extended duration to counter the threat of violent extremism and associated insurgencies in the Greater Middle East and South Asia, including efforts to bring peace, security, and opportunity to these lands. At the same time, it is disputable whether maintaining the capability for stabilization operations and large-scale COIN is necessary to achieve the objectives of defeating al Qaeda or advancing peace, security, and opportunity in the Greater Middle East. There may be other adequate or even better ways of achieving these objectives—notably, special operations, by building local governance and security capabilities, and by fostering the settlement of conflicts. Moreover, after a decade of military intervention and occupation, it is not clear that the region is on track for peace, security, or opportunity.

While this strategic direction addresses to one degree or another the other objectives set out in the National Security Strategy, these are in effect de-emphasized insofar as they (a) draw resources away from current and anticipated efforts to be prepared to counter violent instability in CENTCOM's region or (b) place a premium on capabilities that are not suitable for other regions (e.g., large forces for stabilization operations and direct, prolonged COIN). Investments in local partners, in alliances, in cyber and other technologies for national defense, and in shaping relations with China are not ignored but do compete with the focus of countering extremists and related insurgencies.

This strategic direction risks being inadequate insofar as other challenges and objectives identified in the National Security Strategy—e.g., securing the nation's cyberdomain, building a constructive relationship with China, and ensuring technological superiority—become more demanding. The principal risks of this strategic direction are that U.S. local partners will remain dependent, insufficiently motivated, and incapable of confronting the dangers they face and that technologies critical for national security will receive diminished investment. Moreover, the growth of China's power and assertiveness would take place in the context of a reduced ability of the United States to maintain equilibrium in East Asia, exposing our allies and partners in the region to coercion or outright threat from China. In particular, Taiwan would find itself in a more vulnerable situation.

Alternative Strategic Direction II: Cede Responsibility to Allies and Partners

This alternative strategic direction rests on two pillars: ceding more responsibility to capable allies, and building the capacity of partner forces that need to be upgraded to cope with local security challenges. The two components carry different risks.

Capable Allies

This alternative strategic direction places greater weight on alliances and other forms of multi-lateral cooperation to counter common threats, which is a key objective in the National Security Strategy. This strategic direction seeks to correct the imbalance in U.S.-allied responsibility to meet external security challenges so that the United States can correct the severe imbalance in its fiscal accounts, a precondition for sustaining long-term national strength and security.

The most plausible outcome we can hope for would be that allies target their defense spending more effectively, as seen from a U.S. vantage point, not that they spend more. Placing

lead responsibility squarely with European allies to secure the Mediterranean and its southern littoral and provide the bulk of ground forces for Article V contingencies would provide some relief for U.S. forces. In addition, the strategic direction would aim to obtain greater European contributions to countering piracy in the Gulf of Aden. But with no expected increase in the average 1.5 percent of GDP that NATO allies spend on defense, these gains could be modest.

The Asian allies and partners may be more responsive. A number of them share a wariness of China's assertiveness and this could lead to a greater focus on their own self-defense and securing their critical sea lanes.

On balance, it make sense in any case for the United States to ask allies to take the lead where indicated by their own security and proximity.

This strategic direction addresses directly the objective of ensuring strong alliances, in that the yawning gap between U.S. and allied burden-sharing could otherwise erode the cohesion of NATO. A renewal of allied commitment to the defense of common interests, even if not accompanied by additional resources, could inject new vitality into NATO and require the United States and allies to reinvigorate joint force-planning based on candid discussion of interests and threats.

It seems unlikely that the European allies perceive threats to their interests as declining, or that Japan, South Korea, Singapore, and Australia are less concerned about the growth in Chinese military power. It follows that increased U.S. defense spending has enabled allies to reduce defense spending and, further, that the coming reduction in U.S. defense spending could have the opposite and highly desirable effect, if coupled with an explicit passing of lead responsibility for security in the Euro-Mediterranean region, in particular.

There is, of course, a significant risk that the logic of U.S.-allied defense spending since 9/11 will not work in reverse. Allies could simply accept increased danger to their security interests rather than take on more responsibility. In most European countries, national budgets are under stress because of heavy debt and demands for social services (partly due to aging populations) and the trend is to cut defense budgets, not to grow them. Similar pressures in Japan have been multiplied by the need to rebuild from the 2012 earthquake and tsunami. Economic growth in South Korea and Australia has slowed as well.

The risk for the United States in taking this strategic direction is that hoped-for increases in allies' willingness to take the lead in the defense of common interests may not happen, leaving those interests more exposed. Such risks can be mitigated by the deterrent effect of the promise of U.S. reinforcement, if conditions elsewhere permit.

Finally, in some cases, U.S. and allied interests are not always confluent. For example, our European allies are less committed to the security of Israel and our partners in the Middle East are largely hostile to it.

Building Partner Capacity

The other part of the strategic direction aims to counter violent extremism by a combination of (a) building the capacity of local security forces to include effective MoD institutions and better governance as a whole, and (b) relying on specialized U.S. counterterrorism capabilities, abroad and at home. In this fashion, it ought to promote "peace, security, and opportunity" in the Greater Middle East more than large U.S. stabilization and COIN campaigns of long duration do. Wider and timelier commitment of resources for economic and political progress could mitigate the need for U.S. military intervention. Moreover, less reliance on large U.S.

military presence and operations, to which the region is generally inhospitable, could improve rather than degrade U.S. good will.

Given the prominence of the national objective of defeating al Qaeda, an important analytic issue is whether progress to date is mainly the result of extended stabilization operations and COIN, or of specialized, sharply targeted capabilities and operations. To the extent it is the latter, a shift from Alternative Strategic Direction I to II would not harm the prospects for achieving this objective.

This strategic direction largely preserves investments that address the security of maritime, space, and cybertechnology commons. Although it would provide no substantial additional resources for developing new technologies, the strategic direction would shift relative emphasis toward capabilities that have greater demands for advanced technology, especially long-range strike, cybersecurity, and space.

The greatest risk of this strategic direction is that efforts to build local capacity could founder and largely fail. Violent extremism and insurgency feed on popular anger spawned by corrupt and illegitimate governments, ineffective or abusive security forces, grossly disparate wealth, and poor economic development. Remediating such conditions is a substantial undertaking that goes beyond training indigenous security forces, as the United States has learned from experience in Iraq and Afghanistan. Although those two wars have improved U.S. capabilities to reform governmental institutions and train indigenous security forces, they have also revealed how costly and time-consuming such efforts can be. Iraq indicates that building capable security forces is possible with enough money and patience; but no such conclusion can be reached yet from Afghanistan. While the United States eliminated existing governments and set up new ones in both countries, it should not be assumed that reforming security forces in existing states is any easier.

This raises a difficult dilemma and important policy issue: Is it better for the United States to invest in transforming those states that are most unstable and dangerous, or instead to invest in states where the prospects for success are better? For instance, in Somalia and Yemen—failed and failing, respectively, and thus havens for terrorists—it is not clear that anything short of massive U.S.-led international efforts will produce results, which could take decades. With the same resources, it is possible that a larger number of needful but more capably governed states could be improved and made more resistant to violent extremism and insurgency. On balance, it may be better to invest where the returns look more promising. In turn, this would increase reliance on specialized counterterrorist capabilities to neutralize threats from the unpromising states.

Still, such triage could leave the United States with a potential need once more to intervene on a large-scale and conduct lengthy COIN operations, having reduced the ground forces it would need for such a contingency. However, with an adequate ground-force reserve component and sufficient strategic warning, it should be possible to preserve the option of regenerating this capability and thereby hedge against this risk. Meanwhile, as noted, the United States could respond to the most acute cases not with U.S.-led COIN, but with counterterrorism operations which do not require large occupation forces.

The new trend toward democratization in the Middle East could, unless diverted by radicals, mitigate circumstances that give rise to discontent, extremism, and insurgencies. It could reduce government corruption, increase the accountability and effectiveness of security forces, curb radicalism, foster information-sharing, and offer avenues other than extremism for political disagreement. If the “Arab Spring” should take this path, the region could be more

conducive to U.S. efforts to build local security forces and institutions and thus to reduce the primary risk of this strategic direction.

In sum, there is a real risk that this strategic direction will not produce the desired results. By concentrating assistance efforts where democracy and reform show promise, the strategic direction would permit and rely on deterrence, punitive actions, and counterterrorism strategies to address threats posed to U.S. interests by the least hopeful cases.

Alternative Strategic Direction III: Shift Geostrategic Focus to Western Pacific

Unlike the other strategic directions, this involves a shift in overall strategic direction reflecting (1) greater confidence that the threat of violent extremism is waning, given the relative successes of operations in Iraq and possibly Afghan wars, the weakening of al Qaeda overall due in large part to the killing of Osama bin Laden, and the spread of democratic revolution and reform; and (2) growing concern about the shifting balance of power in the Western Pacific. In essence, it calls for maintaining investment in upgrading U.S. maritime, aerospace, and cybertechnology capabilities while finding savings primarily in declining ground-force needs. This strategic direction preserves the intent in the strategic guidance to rebalance force structure and investments toward the Asia-Pacific region and to shift emphasis in the CENTCOM region to air and maritime forces.

While the National Security Strategy carefully does not treat China as an adversary, it states that the United States will encourage China to “make choices that contribute to peace and security.” This is more likely to occur if, as called for in the 2012 strategic guidance, the United States maintains its military presence and its conventional deterrent capabilities in the Western Pacific. In addition, this strategic direction should be more responsive than the other strategic directions to the goal, also explicit in the strategic guidance, to protect key investments in technologically advanced capabilities, to include aerospace and cybertechnology capabilities.

The principal risk of this strategic direction is that the extremist threat in the CENTCOM region does not recede. While the United States could respond over time in that event, it would have to rely heavily on the reserve component in the short run. Sizable ground forces might also be needed to cope with a collapse of North Korea with an attendant need to occupy portions of that country. There is also a risk that U.S. responses to improving Chinese military capabilities would not stabilize the Western Pacific, but instead cause China to intensify its military modernization efforts. However, with China already increasing defense spending—while the United States has been preoccupied with extended stabilization operations in the Greater Middle East—it seems doubtful that this strategic direction, which does not prescribe a sizable U.S. military build-up in East Asia, would trigger an intense Sino-American arms race.

In sum, this strategic direction offers better prospects for the stability of East Asia, given the superiority of U.S. military technology. The attendant risks are exaggerating Chinese capabilities and hostile intentions, and a possible underestimation of the continued strength of forces in the Middle East and South Asia that give rise to violent extremism requiring direct intervention.

Shift from Invade and Occupy to Punish and Contain

None of the objectives found in the National Security Strategy depends on the ability of U.S. military forces to invade, conquer (or liberate), and occupy any countries capable of mounting strong resistance. This could change as a result of an altered international security environment, although presumably U.S. national security strategy would change accordingly in that case. Indeed, the new strategic guidance already takes a sizable step in this direction where it shifts war aims from winning two near-simultaneous major theater wars (MTWs) to being able to defeat aggression and impose unacceptable costs on an aggressor even while being in a large-scale operation elsewhere.

For example: Russia could pose a threat to a NATO country that would demand more than a U.S. expeditionary-force response. Some hostile state could acquire more extensive WMD capabilities than could be destroyed only by U.S. expeditionary operations. A country of vital importance to the United States could come to the brink of collapse. A conflict between major nuclear powers could be averted or stopped only if the United States (perhaps in coalition) interposed large ground forces to separate the parties and/or hold contested territory. Were any such contingencies to occur, the stakes would, by definition, be very high for U.S. and international security, and the consequences of not having sufficient capabilities to invade, seize, occupy, and control states, large territories, or dense populations could pose a high risk to U.S. interests. Thus, the issue of whether to reduce capabilities for “wars of conquest and control” beyond those needed for more limited wars comes down to the costs of maintaining forces that are unlikely to be needed versus the risk of discovering that they are in fact needed.

While such contingencies requiring MTW-scale ground forces are plausible, it is less plausible that they would occur without significant (strategic) warning, e.g.:

- A major shift of state power from risk-averse Chinese political leaders to risk-prone People’s Liberation Army (PLA)
- Large-scale and sustained increases in Russian defense spending and modernization that build effective conventional forces capable of projecting power
- A hostile state’s accumulation of WMD that cannot be eliminated by strike and expeditionary forces—although even here there is no guarantee that the WMD would not be dispersed before ground forces arrive
- The erosion of state control in a region of interest to the United States such as in North Korea.

Given current conditions, such developments would take years and would provide indicators of intense interest to U.S. intelligence officials and policymakers. If U.S. reserve component ground forces are intended and shaped to augment active ground forces for major land war, their preparedness can be predicated on expected strategic warning of such a need. Barring a sudden development that could demand more rapid organization of sufficient ground forces to invade, conquer, and occupy a state capable of strong resistance, the risk of shifting major war aims as the standard for force sizing should be acceptable.

This suggests that the United States needs an adaptable strategic direction that is based on: the technical ability to observe signs that large-scale wars of conquest and control might be needed; the political and analytic sophistication to recognize these signs and adapt; existing reserve capabilities (capacity and skills); and plans to mobilize if—and as—risks mount.

The Impact on Objectives of DoD's New Strategic Guidance

The impact that following the alternative strategic directions would have on the Joint Force's ability to support the strategic guidance is indicated in Table 3.1. All of the 10 primary mission areas are listed. The table also indicates the effect on the Joint Force's capabilities in each area as a result of executing further budget cuts within each of the alternative strategic directions.

Table 3.1
Impact of Alternative Strategic Directions

Primary Mission Objectives	Prepare for Persistent Conflict	Cede More Responsibility to Allies and Partners	Shift Geostrategic Focus to the Western Pacific
Counter Terrorism and Irregular Warfare	Low Risk	Moderate Risk	High Risk
Deter and Defeat Aggression	Low Risk	Low Risk	Low Risk
Project Power Despite Antiaccess/Area-Denial Challenges	High Risk	Moderate Risk	Low Risk
Counter Weapons of Mass Destruction	Low to Moderate Risk	Moderate Risk	Moderate Risk
Operate Effectively in Cyberspace and Space	High Risk	Low to Moderate Risk	Low Risk
Maintain a Safe, Secure, and Effective Nuclear Deterrent	Low to Moderate Risk	Low Risk	Low Risk
Defend the Homeland and Support Civil Authorities	Low Risk	Moderate Risk	Moderate Risk
Provide a Stabilizing Presence	Low Risk	Moderate Risk	Moderate to High Risk
Conduct Stability and Counterinsurgency Operations	Low Risk	Moderate to High Risk	High Risk
Conduct Humanitarian, Disaster Relief, and Other Operations	Low Risk	Low Risk	Low Risk

Force Reductions Linked to Alternative Strategic Directions

The alternative strategic directions outlined in the preceding chapter provide three candidate frameworks within which reductions in defense spending beyond the planned \$487 billion reductions can be accommodated. This chapter provides an *illustration* of the form and magnitude those reductions might take. In some cases, a shift of resources from one program area to another that is more critical to the strategic direction under consideration is indicated. Again, the resource adjustments shown here are descriptive rather than prescriptive. They indicate the order of magnitude of force reductions implied by deep reductions in the DoD's budget authority.

The reductions presented here focus on major elements of force structure or otherwise significant programs in which, as determined by the alternative strategic directions, the DoD might take some risk. The figures are illustrative, drawn in large part from more detailed analyses done by U.S. government organizations. They are presented to illustrate the magnitude of savings that are plausible from FY 2014–2023, given the indicated force reductions. Definitive programmatic decisions would rest on more detailed analysis by the staff of the Secretary of Defense.

Where savings estimates are needed for reductions that are not treated explicitly in material published by U.S. government defense analysts, estimates are made by referring to the size of savings in budget authority that were realized the last time there were sizable cuts to force structure, the decade of FY 1991 through FY 2000. As the size of the U.S. force was reduced over the decade of the 1990s, the defense budget was reduced as well, in rough proportion.¹

The figures represent an empirical estimate of the upper limit of how much the DoD budget could be reduced through force reductions, especially in the case of procurement. At the end of the Cold War, the equipment in the force was, on average, newer and had not been stressed by a high operational tempo, as our ground forces equipment, in particular, has been over the past decade. Accordingly, a more modest estimate of reductions in the procurement account is presented that represents savings of 70–80 percent of the proportion by which force structure is reduced. As is the case in the 2012 strategic guidance, the research, development, test, and evaluation (RDT&E) account has largely been preserved intact with an eye to maintaining our military's technological edge until the budget stabilizes and our political leadership directs DoD to reverse course and upgrade the force.

¹ Office of the Undersecretary of Defense (Comptroller)/Chief Financial Officer, "Table 7–5: Department of Defense Manpower," and "Table 6–10: Department of Defense BA by Military Department," *National Defense Budget Estimates for FY2013*, March 2012b.

Budget Reductions Included in the 2012 Strategic Guidance

The strategic guidance included a mix of force structure cuts, program delays, and efficiencies that established a new baseline for planning.²

The 2012 strategic guidance laid the framework for reducing the DoD budget by \$259 billion from FY 2013–2017 on the way to the target reduction of \$487 billion from FY 2012–2021. This is shown in Table 4.1. Of note is that the bulk of the savings are captured by rolling back planned increases in the budget.

Table 4.2 indicates how the budget shares allocated to the three military departments and to defense-wide activities have evolved over the past decade and are projected to change through FY 2017. After a tilt in budget share to the Army at the height of operations in Iraq and Afghanistan, the projected budget shares return to FY 2002 levels.

Major Force Reductions Included in the 2012 Strategic Guidance

The 2012 strategic guidance incorporated a number of force structure cuts and program delays to help reach its budget reduction targets. The major changes are summarized below. Reductions in force structure coupled to each strategic direction are in addition to the foregoing.

Reductions to Ground Forces

The Army end strength is reduced from its current 562,000 to 490,000. Eight Brigade Combat Teams (BCTs) are eliminated. In addition, the strategic guidance notes that the future organizing construct of the Army is under review. This may yield a smaller total number of BCTs, each being larger in size. The new BCTs would have three maneuver battalions and additional organic support units. Marine Corps end strength is reduced from 202,000 to 182,000. Four active and one reserve infantry battalion are eliminated. Three active and one reserve tactical air squadrons are eliminated.

Table 4.1
Defense Cost Savings Captured in President's FY 2013 Budget (in Billions of Dollars)

	FY12	FY13	FY14	FY15	FY16	FY17	Total FY13–17	Total FY12–21
DoD FY12 President's Budget	\$553	\$571	\$586	\$598	\$611	\$622	\$2,988	\$6,141
DoD FY13 President's Budget	\$531	\$525	\$534	\$546	\$556	\$567	\$2,728	\$5,653
Savings	\$22	\$45	\$53	\$52	\$55	\$54	\$259	\$487
Real Growth (by percentage)	-1.4	-2.5	0.0	+0.8	+0.2	+0.2	-0.3 /year	-0.1 /year

SOURCE: "Fiscal Year 2013 Budget Request," briefing slides, in Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, February 2012a.

NOTE: In some instances, numbers do not add due to rounding.

² U.S. Department of Defense, 2012b.

Table 4.2
Budget Authority by Service as a Percentage of Total DoD Budget Authority

Fiscal Year	Army	Navy	Air Force	Defense-Wide
2002	25%	30%	29%	17%
2007	36%	25%	25%	14%
2012	25%	30%	27%	18%
2017	24%	30%	28%	18%

SOURCE: Calculations based on data from "Table 6-10: Department of Defense BA by Military Department," in Office of the Undersecretary of Defense (Comptroller)/Chief Financial Officer, March 2012b.

Reductions to Naval Forces

The Navy will retire seven guided missile cruisers (CGs) and two dock landing ships (LSDs) early, delay ballistic missile submarine (SSBN) recapitalization, stretch out procurement of F-35 jets, and cut procurement of 16 ships and 116 aircraft.

Reductions to Land-Based Aviation Forces

The Air Force will eliminate two active and five reserve tactical fighter squadrons, 150 mobility and tanker aircraft, and 30 ISR aircraft.

Reductions in force structure linked to each strategic direction are *in addition* to the foregoing.

Reductions Specific to Alternative Strategic Direction I

This strategic direction reflects a twofold assessment: first, that America's most pressing strategic concerns—the security of energy supplies and the threat of global terrorism—emanate from dangers of violent extremism in the Greater Middle East and South Asia; and second, that the United States may be compelled to seize and stabilize nations or sizable territory in the region once again.

Reductions to Ground Forces

No reductions in ground forces are taken beyond the levels specified in the 2012 strategic guidance that will eliminate the "Grow the Army" program and bring the end strength to 490,000, about 10,000 above 2001 levels. Larger ground forces (relative to the other strategic directions) are retained in recognition that conflict in the Middle East may again require a sizable U.S. commitment of ground forces. It further preserves both the Army and the Marine Corps reserve components at their planned sizes as they would be drawn upon, should they be called on to support a sizable stabilization effort.

The ground forces retained in this option will be able to meet the criterion stated in the 2012 strategic guidance to secure territory and populations and facilitate a transition to stable governance for a limited period using active component forces and, if necessary, for an extended period with mobilized forces. That said, if a sizable part of the force were tied down in a large-scale stabilization operation, the Army and Marines would have to surge to fight a second conflict as part of the Joint Forces with the limited goal of denying the objectives of an aggressor elsewhere.

Reductions to Naval Forces

The size of the fleet is reduced by approximately 30 percent, which includes the retirement without replacement of three carrier strike groups (CSGs). Estimated savings in naval procurements and operations and support (O&S) are between \$213 billion and \$243 billion over the decade with greater savings beyond as fewer ships and aircraft need to be replaced. Naval forces on the Atlantic coast would be scaled back. Forces would not be available to shift to the Pacific as envisioned in the new strategic guidance, although current levels in the Pacific Fleet would be preserved. The eight CSGs remaining in the force are adequate to maintain two to three CSGs forward at any one time and to surge to reinforce them to respond to a major aggression.

Reductions to Land-Based Aviation Forces

The Air Force is reduced by approximately 10 percent, including two active tactical fighter wings (TFWs), leaving 12 active TFWs (and six reserve wings). The remaining force could defeat one major adversary and simultaneously provide support to ground forces in a counterinsurgency operation, or respond to a limited conflict. Similar to the Navy, the focus would be the Middle East. Future Air Force investment would emphasize systems that provide the greatest leverage in counterinsurgency and stabilization operations, unmanned aerial systems in particular. Estimated savings in procurement and O&S are between \$80–92 billion over the decade.

Estimated Savings

This strategic direction permits savings of \$293 billion to \$335 billion from FY 2014–2023 mainly by cutting some Air Force and Navy force structure.

Reductions Specific to Alternative Strategic Direction II

This strategic direction posits that the United States will cede to its capable NATO allies lead responsibility for responding to threats in the Mediterranean and along its littoral and on NATO's eastern border. Key Asian allies will be encouraged to focus more effort on self-defense and on protecting their sea lines of communication. The United States will also invest in building the capacity of the security forces of partner states to cope with internal threats *before* insurgencies erupt.

Reductions to Ground Forces

A further two active-duty Army BCTs are removed from the force. This reduces the depth of forces that can be called to intervene in a regional contingency in the Europe-Mediterranean region. A savings of \$29–34 billion results.

Modest additional reductions to Marine Corps forces are taken, as lead responsibility for providing reaction forces in the Mediterranean littoral is passed to the European allies. Reductions are taken from units based on the U.S. East Coast. The 2nd Marine division will be able to sustain only intermittent deployments of a Marine Expeditionary Unit in the North Atlantic and Mediterranean, or to swing to provide forces to global commitments. Air units designed to support the regiments are also retired, including two of the 2nd Marine Air Wing's seven attack and fighter attack squadrons.

Reducing the Corps by two regiments and associated aviation forces will produce an additional estimated savings of \$23–27 billion from FY 2014–2023.

Reductions to Naval Forces

In this strategic direction, allies will assume lead responsibility for patrolling the Mediterranean and take lead responsibility for protecting the sea lanes in the Gulf of Aden. U.S. naval forces are reduced accordingly by ~20 percent, including two CSGs. Estimated savings would be \$142 billion to \$162 billion from FY 2014 to FY 2023. The strategic direction envisions retaining proportionally more of the forces suitable for operating in an antiaccess environment.

Reductions to Land-Based Aviation Forces

The Air Force is reduced approximately 10 percent. Two active-duty TFWs are eliminated. Reductions are taken in short-range light-payload tactical aircraft since this strategic direction posits a lesser need for U.S. intervention in regional conflicts and capable allies are given the lead in the Mediterranean littoral. The Air Force under this construct maintains 12 total active TFWs and 6 reserve wings. Investments to develop long-range, low-signature strike assets (both manned and unmanned) are preserved.

Reducing the Air Force by two TFWs yields an estimated additional savings of \$80–92 billion from FY 2014–2023.

Additional Investment

This strategic direction rests in part on maintaining U.S. capacity to train foreign forces and on increasing foreign assistance to countries where instability could endanger U.S. interests.

A portion of the U.S. ground forces that engaged in train, advise, and assist (TAA) activities in Iraq and Afghanistan would be retained as the drawdown from Afghanistan proceeds.

A parallel investment in foreign aid might be needed to maintain the stability of local partners. This cost would come from the Department of State's budget and is not shown here, but is a supporting element of this strategic direction.

Estimated Savings

This strategic direction permits savings of \$274 billion to \$315 billion from FY 2014–2023.

Reductions Specific to Alternative Strategic Direction III

This strategic direction preserves the 2012 strategic guidance's focus on the Asia-Pacific region. It reflects an assessment that the challenge inherent in China's growing military strength and assertiveness mean that the Western Pacific requires priority attention.

Reductions to Ground Forces

This strategic direction includes ground-force reductions of an additional six Army BCTs. Some small additional reductions to Marine Corps forces are taken, as forces currently focused on the Atlantic and Mediterranean are reduced by two regiments and two tactical fighter squadrons. The division will still be able to sustain intermittent deployments of a Marine Expeditionary Unit in the European theater, or to support global commitments.

Retiring the additional six Army BCTs yields a total Army savings of \$84–99 billion from FY 2014–2023. Marine Corps reductions produce total savings of \$23–27 billion from FY 2014–2023.

Reductions to Naval Forces

The reductions to ground forces cited above already incur substantial risk, should a challenge emerge that requires sizable, active-duty ground forces. To hedge somewhat against too great an imbalance in forces, the remaining savings are generated through a modest cut to air and naval forces. Accordingly, the United States would reduce the fleet by an additional 15 ships or about 5 percent. This will further reduce naval presence in the Atlantic, Mediterranean, and Arabian Sea to preserve those earmarked to PACOM. Naval investment would shift from surface combatants to focus on assets more survivable in an anti-access environment such as undersea systems and stealthy long-range aircraft.

An estimated \$35–41 billion would be saved from FY 2014–2023 under the reduction outlined above.

Reductions to Land-Based Aviation Forces

The Air Force structure is cut by approximately 5 percent to include one TFW. As discussed above, the most demanding contingencies in the Western Pacific carry with them a high probability that the adversary will employ advanced antiaccess/area-denial capabilities, threatening U.S. air bases and surface combatants. This framework envisions a shift of investment away from short-range, light-payload tactical aircraft and from aircraft to move sizable ground forces to investment in survivable long-range strike systems.

Estimated Savings

The strategic direction of a geostrategic shift with priority on a strong presence in the Western Pacific yields estimated savings of from \$183 billion to \$213 billion from FY 2014–2023.

Summary of Reductions and Savings

The following lists summarize the force structure cuts for each of the three strategic directions. Table 4.3 summarizes the savings for each strategic direction with the portion attributed to each service broken out.

I: Prepare for Persistent Conflict Force Structure Reductions

Savings Initiative:

- No cuts to Army
- No cuts to Marine Corps
- Reduce Navy by 30 percent, including retiring three CSGs
- Reduce Air Force by 10 percent, including retiring two active TFWs.

Table 4.3
Estimated Savings by Service for Each Alternative Strategic Direction, FY 2014–2023
(in Billions of Dollars)

Service	Alternative Strategic Direction		
	Prepare for Persistent Conflict	Cede More Responsibility to Allies and Partners	Shift Geostrategic Focus to the Western Pacific
Army	\$0	\$29–34	\$84–99
Marine Corps	\$0	\$23–27	\$23–27
Navy	\$213–243	\$142–162	\$35–41
Air Force	\$80–92	\$80–92	\$40–46
Total	\$293–335	\$274–315	\$183–213

II: Cede More Responsibility to Allies and Partners Force Structure Reductions

Savings Initiative:

- Reduce Army by two BCTs
- Reduce Marine Corps end strength by 13,500 Marines and 2 active tactical fighter squadrons
- Reduce Navy by 20 percent, including retiring two CSGs
- Reduce Air Force by 10 percent, including retiring two active TFWs.

III: Shift Geostrategic Focus to the Western Pacific Force Structure Reductions

Savings Initiative:

- Reduce Army by six BCTs
- Reduce Marine Corps end strength by 13,500 Marines and 2 active tactical fighter squadrons
- Reduce Navy by 5 percent, including retiring 15 combatants
- Reduce Air Force by 5 percent, including retiring one active TFW.

Savings in Health, Compensation, and Retirement Costs

The foregoing savings options consist of cutting force structure, in some cases deeply. Even these savings may not suffice. The 12-member congressional supercommittee's failure to find \$1.2 trillion in overall savings over the next decade holds out the possibility of reductions in DoD's top line of up to \$500 billion beyond the \$487 billion in savings already programmed. At that point, DoD could face the difficult choice of very deep cuts in forces or seeking economies in the cost of troops.

Measures to rein in the costs of uniformed personnel have typically been rejected by Congress, and, indeed, the cost of a soldier has grown by about 37 percent above inflation in the past decade. This may be changing. The tenor of the debate in Congress is shifting toward spending restraint, and more constrained—although still attractive—benefits packages for the military may well be on the table. Moreover, with end strength contracting, the inducement

of benefits that are measurably more generous than those in the private sector are probably not needed to sustain adequate recruitment.

Savings in the cost of a troop have been identified in three categories, health care, compensation, and retirement. Estimates of savings that are plausible, both fiscally and politically, are outlined below. Estimates are drawn from analyses published by the Congressional Budget Office (CBO) and by the Secretary's Defense Business Board.

Health Care

The CBO has examined a number of proposals. Some imply relatively modest changes, leaving benefits that continue to be more generous than health plans typical of the private sector. These could have a plausible chance to be enacted given the new fiscal climate of restraint. They are summarized below.

- Introduce minimum out-of-pocket requirements for TRICARE beneficiaries
- End enrollment in Veterans Affairs (VA) medical care for veterans who have no service-connected disabilities and have high income or net worth
- Increase medical cost-sharing for military retirees not yet eligible for Medicare
- Increase cost-sharing for pharmaceuticals under TRICARE.

Details are found in the March 2011 Congressional Budget Office report on "Reducing the Deficit: Spending and Revenue Options."³

Compensation

Over the past decade, basic pay and basic allowances for housing and subsistence have risen by 37 percent beyond the rate of inflation. The National Defense Authorization Act of 2000 called for a catch-up increase in pay to close the civilian-military pay gap, mandating Employment Cost Index (ECI) + 0.5 percent for 2001–06. The years since 2006 have also seen increases in compensation higher than the ECI. The FY 2011 budget ended the increases above the ECI. CBO proposes that increases in military basic pay could be held to 0.5 percent below the ECI for four years and military compensation would still be ahead of the past decade of inflation.

Retirement

Various proposals for reforming military retirement have been discussed and analyzed. To take one illustrative example, Secretary of Defense Gates directed the Defense Business Board to prepare an analysis of alternatives to overhaul military retirement benefits. Their analysis concluded that conversion to a 401(K) type plan, even a plan more generous than typically available in the private sector, would provide substantial savings. Moreover, though less generous to persons serving 20 years or more, it would provide at least some retirement benefits to the 83 percent of troops who serve less than 20 years and thereby receive no retirement benefits at present.⁴

³ Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, Washington, D.C., March 2011a.

⁴ Defense Business Board, *Modernizing the Military Retirement System*, Washington, D.C.: Department of Defense, July 21, 2011.

Summing Up

Savings as estimated by the CBO for health and compensation and as estimated by the Defense Business Board for retirement overhaul are shown in Table 4.4. The savings vary slightly across the strategic directions depending on the amount by which personnel end strength was reduced. It should be noted that such estimates are only illustrative. To be more definitive, they would need to reach across and integrate elements of the compensation system. For instance, changes in retirement benefits could reduce retention, which could require greater expenditures in other areas, e.g., re-enlistment bonuses, or could change retention patterns creating force-shaping problems.

Rolling up the estimated savings from force structure reductions and from revisions in benefits for military personnel, the total savings for the three alternative strategic directions are indicated in Table 4.5 below.

A Final Word

The analysis indicates that reductions of the magnitude that are “on the table” (up to \$500 billion beyond the \$487 billion already identified) will be difficult to achieve. The leadership would have to accept risk and forgo U.S. leadership in some key areas. Moreover, political courage will also be needed if the cost of uniformed personnel is to be contained as an essential element in achieving savings of this magnitude. Other key insights are:

- Major savings depend on either (1) forgoing conquest and extended stabilization and reconstruction of nations, (2) getting U.S. allies to pick up more responsibility, or (3) accepting greater risk in East Asia
- Better allied burden-sharing would enable the United States to pursue more broadly the objectives of the National Security Strategy, but is risky to count on
- The most critical strategic judgments the United States must make are (1) whether the threat of violent extremism, state-supported terrorism, and nuclear proliferation can be managed without the need to displace and replace hostile regimes; and (2) whether the steady growth in Chinese military power requires an increased military commitment to that region.

Table 4.4
Estimated Savings from Reductions in Entitlements for Military Personnel, FY 2014–2023
(in Billions of FY11 U.S. Dollars)

Alternative Strategic Direction	Health Savings	Compensation Savings	Retirement Savings
Prepare for Persistent Conflict	\$123–127	\$19–20	\$45–47
Cede More Responsibility to Allies and Partners	\$124–128	\$19–20	\$45–47
Shift Geostrategic Focus to the Western Pacific	\$128–131	\$20–21	\$47–48

Table 4.5
Total Estimated Savings by Alternative Strategic Direction (in Billions of FY11 U.S. Dollars)

Alternative Strategic Direction	FY 2014–23
I: Prepare for Persistent Conflict	\$488–523
II: Cede More Responsibility to Allies and Partners	\$496–504
III: Shift Geostrategic Focus to the Western Pacific	\$383–408

NOTE: Totals include both strategic and non-strategic savings.

The contribution this report seeks to make is to put these decisions in a strategic context and suggest a strategic approach to determining how to implement possible budget cuts. If the defense budget is cut further, it places a burden on our national leadership to provide clear guidance on what strategic direction they intend the nation to follow, so that the DoD can preserve and cultivate, in priority, those instruments that best provide for our national security.

Summary Advantages and Disadvantages of Alternative Strategic Directions

Table A.1
Savings, Advantages, and Risks of Alternative Strategic Directions

Alternative Strategic Direction	Savings, FY14–23	Advantages	Risks
I: Prepare for Persistent Conflict	\$488–523 billion	<ul style="list-style-type: none"> Retain capability to commit sizable forces for COIN and stabilization operations 	<ul style="list-style-type: none"> Diminished U.S. dominance in high-end warfare Reduced capabilities for joint expeditionary and strike warfare
II: Cede More Responsibility to Allies and Partners	\$496–504 billion	<ul style="list-style-type: none"> Eases U.S. burden of defending common interests in Europe and in the Mediterranean and on its littoral Could lead to a reduced need for U.S. forces to engage in extended COIN and stabilization operations 	<ul style="list-style-type: none"> Failure of allies to take lead responsibility in their regions could leave the U.S. less well-equipped to defend its own interests
III: A Geostrategic Shift of Focus to the Western Pacific	\$383–408 billion	<ul style="list-style-type: none"> Maintains military presence and conventional deterrent in Western Pacific Preserves U.S. influence and alliances in region 	<ul style="list-style-type: none"> Extremist threat in CENTCOM region may not recede and the U.S. could find itself with insufficient forces to deal with instability, state-supported terrorism, and nuclear proliferation May cause China to intensify military modernization (arms race)

NOTE: Totals include both strategic and non-strategic savings.

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